



As a group made up of over 400 companies, with a presence in more than 70 countries and over 20,000 employees, Abengoa has a firm commitment to transparency in management and good governance in its relationships with stakeholders, and as the key to establishing successful business relationships.

### **Transparency and good governance**

The application of good governance practices contributing to increase the transparency of information published by the company generates added value for the latter in its communications with third parties, minimizes risks and optimizes profits.

The new information and communication technologies are transforming the channels and models for communication between listed companies and their stakeholders. Abengoa is committed to fluid communication with all its interest groups and employs these channels as part of its commitment to transparency and good management practices.

Each company must adopt the measures required to identify its own risks and control them. For these purposes, Abengoa employs internal control systems which contribute to effective, efficient and transparent execution of the company's activities and processes.

Moreover, Abengoa has implemented Shared Management Systems permitting its collaborators to work in an organized, coordinated and coherent manner, and facilitating identification of both potential risks and of the control activities necessary to mitigate them. All procedures geared toward business risk identification and elimination are executed by means of this system, forming a shared Abengoa business management culture, which must be complied with throughout the organization. To this end, all members are fully aware of the systems and are engaged in the process of continuously updating them.

At Abengoa, we hold that an effective internal control system must ensure that all relevant financial information is trustworthy and available to senior managers. Thus, we believe that the model developed by the Sarbanes-Oxley Act, establishing increased control procedures for financial information, completes our Shared Management Systems, the main purpose of which is the control and mitigation of business risks.

In accordance with the philosophy of the Institute of Internal Auditors and of its Spanish branch, the Instituto de Auditores Internos (Institute of Internal Auditors), the overriding aim of this structure is to provide Abengoa's Management and each of its business units with a line of "control" information, additional to and in tandem with normal hierarchical lines; with criteria for clarity and transparency; and with the means to safeguard confidential information involved.

The head of each of the regulations included in the Shared Management Systems must verify and certify compliance with said procedures. Certifications are issued and submitted to the Audit Committee in January of the following year, when the Annual Accounts are being prepared and audited and the Annual Report is being written.

This common structure ensures that the following objectives may be attained and certified:

- In regard to the companies, projects and activities, to foresee potential audit risks such as fraud, asset bankruptcies, operational inefficiencies and, generally speaking, risks that could affect good business operation.
- To control the application and promote the development of appropriate and effective management standards and procedures, in accordance with the Corporate Shared Management Systems.

- To create value for Abengoa, promoting synergy-building and the implementation of optimal management practices.
- To coordinate the criteria and approaches of work undertaken with the external auditors, and seek to optimize efficiency and profitability in both duties.
- To ensure the security and reliability of financial information, checking and verifying the proper operation of the controls existing for this purpose.
- To guarantee that information disseminated to the market is truthful, complete and full, ensuring reporting transparency in all distribution channels and types of information.

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During 2007 there has not been any significant fines nor non-monetary sanction derived from the non-compliance with laws and regulations

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### Transparency and fighting corruption

During the present fiscal year the decision was made to include within Abengoa's Professional Code of Conduct an express declaration on the company's adherence to the United Nations Convention against Corruption, as approved by the UN General Assembly in 2003.

The aim of the aforementioned text is to promote and reinforce measures to prevent and combat corruption more effectively and efficiently; to promote, facilitate and support international cooperation and technical assistance to prevent and combat corruption, including asset recuperation; to promote integrity, the obligation to report, and effective management of public issues and assets.

In addition to the provisions of this Code of Conduct and other Abengoa policies, employees working with any governmental entity in any country have an obligation to know, understand and abide by the laws and regulations that apply to the conduct of business with government entities. If a government agency, whether national, state or local, has adopted a more stringent policy than Abengoa's policy regarding gifts and gratuities, Abengoa's employees and representatives must comply with that more stringent policy. Specifically, the U.S. Foreign Corrupt Practices Act (FCPA) makes it a crime for companies as well as their officers, directors, employees, and agents, to pay, promise, offer or authorize the payment of anything of value to a foreign official, foreign political party, officials of foreign political parties, candidates for foreign political office or officials of public international organizations for the purpose of obtaining or retaining business. Similar laws have been, or are being, adopted by other countries. Payments of this nature are strictly against Abengoa's policy even if the refusal to make them may cause Abengoa to lose a business opportunity. The FCPA also requires covered companies to maintain accurate books, records and accounts and to devise a system of internal accounting controls sufficient to provide reasonable assurance that, among other things, Abengoa's books and records fairly reflect, in reasonable detail, transactions and dispositions of its assets. Abengoa will not give or encourage anyone else to give inducements of any kind to any government employee, or to any supplier under government or nongovernmental contracts or subcontracts, in order to gain any business advantage or contract.

The honesty, integrity and sound judgment of Abengoa employees, officers and directors is essential to Abengoa's reputation and success. This Code of Conduct governs the actions and working relationships of Abengoa's employees, officers and directors with current and potential customers, fellow employees, competitors, government bodies, the media, and anyone else with whom Abengoa has contact. These relationships are essential to the continued success of Abengoa and each of its subsidiaries.

Abengoa's Code of Conduct requires the highest standards for honest and ethical conduct, including proper and ethical procedures for dealing with actual or apparent conflicts of interest between personal and professional relationships; full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed or submitted by Abengoa with governmental agencies or in other public communications

made by Abengoa; compliance with applicable laws, rules and regulations; addresses potential or apparent conflicts of interest and provides guidance for employees, officers and directors to communicate those conflicts to Abengoa; addresses misuse or misapplication of Abengoa's property and business opportunities; requires the highest level of confidentiality and fair dealing within Abengoa and outside Abengoa; and requires prompt internal reporting of violations of this Code of Conduct and proper reporting of any illegal behavior.

The company executes all its donations and sponsorships through the Abengoa Focus Foundation, with a firm commitment to their execution in accordance with the laws in force.

In many industries and countries, gifts and entertainment are common practices used to strengthen business relationships. Throughout the world, Abengoa's position is clear. No gifts, favors, or entertainment should be accepted or provided if it will obligate or appear to obligate the person who receives it. Receiving or giving gifts of cash or cash equivalents is never allowed. Abengoa employees may accept or give gifts, favors, and entertainment only if they meet all of the following criteria: They are not against the law or the policy of the other party; They are consistent with customary business practices in the country or industry; They are reasonably related to business relationships; They are consistent with any existing business guidelines; They cannot be construed as a bribe, payoff, or improper influence; and if they do not violate Abengoa's business values or ethics in any other manner. All of the aforementioned is overseen by the Internal Audit department.

Over the course of this fiscal year, the Internal Audit Department issued a total of 573 audit reports, focusing on issues including the results of risk reviews and analyses in relation to risks of corruption in companies that were judged to be material.

No specific training courses relating to the company's anti-corruption policies and procedures took place during the period, but training courses were given on its Shared Management Systems in which the specific procedures for managing corruption-related risks and the establishment of anti-corruption policies in companies were addressed. A total of 102 courses were given in different countries, with a total of 5,518 attendees.

Likewise, there is a computer application based on these Shared Management Systems that can be consulted at any time by all users, enabling them to acquire further knowledge on the organization's anti-corruption policies and procedures.

Abengoa's Professional Code of Conduct can also be found on Abengoa's internal website (intranet), to which all employees have access, and on the company's external website. All changes that are executed to said code are immediately communicated throughout the organization.

During this fiscal year there have been no corruption-related incidents at Abengoa.

### Abengoa's Shareholding Structure

Abengoa S.A.'s share capital is represented by book-entry records managed by Iberclear (Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.), and comprises 90,469,680 shares of 0.25 Euro nominal value of the same class and series, representing 22,617,420 Euros of share capital.

All the shares are admitted to official trading on the Madrid and Barcelona Stock Exchanges and in the Spanish Stock Exchange Interconnection System as of November 29, 1996.

In December 2007, Abengoa was selected by the Ibx 35 Technical Assessment Committee (CAT) for entry to the index beginning January 2, 2008. Along with Grifols, Abengoa will substitute Antena 3 Televisión and NH Hoteles, who leave the Spanish index following the ordinary CAT review of listed companies, which, in addition to capitalization, assessed turnover and the industry to which the company belonged. The Ibx 35 is the most closely-monitored Spanish index by Spanish and foreign investors. Membership of this index is a privilege reserved for a small number of listed companies.

The last modification to the share capital was made in accordance with a resolution approved at the Ordinary General Shareholders' Meeting of June 24, 2001, in relation to splitting of the face value of the shares, from 1 euro to 0.25 euros per share, with the resulting modification to the number of issued shares, from 22,617,420 to the current number of 90,469,680, and, as a consequence, the modification of Articles 6 and 21 of the Company Bylaws in order to adapt them to the new number of shares and their face value, with the simultaneous exclusion of the previous shares and admission to listing of the new ones.

Date Last Modificat.	Share Capital (Euro)	Number of shares
06/24/2001	22,617,420	90,469,680

As the capital is represented by book-entry records, there is no shareholders' registry separate to the significant shareholdings communications and the list (X-25) provided by Iberclear on the occasion of General Shareholders' Meetings. Pursuant to this information (shareholders list as of April 2007 provided by Iberclear) and the notification of significant shareholdings, the situation is as follows:

Inversión Corporativa, I.C., S.A.	50.00%
Finarpisa, S.A. (Grupo Inversión Corporativa):	6.04%

The Company is not aware of the existence of any agreements between shareholders undertaking either to adopt, by means of joint voting, a common policy regarding the management of the company or to significantly influence it.

### Information Provided to Shareholders

The obligation to provide useful, true, complete and balanced information to the market in real time would not be sufficient if there are no suitable methods for transmitting this information and for guaranteeing that it is distributed effectively and usefully. Given the rise of the new technologies, the Aldama Report and the Financial System Reform Act therefore recommend the use of listed companies' websites as an information tool (including the historical, qualitative and quantitative company data) and a distribution tool (including timely or individualized information in real time that may be accessed by investors).

At the end of the first quarter 2002, Abengoa therefore implemented a new company website, characterized on the one hand by a more direct, quick and efficient on-screen presentation, and on the other hand, with information content and documentation made available to the general public, focused on three fundamental aspects:

- a) Commercial: the presentation of the company and its business units, press releases, newsletters, etc.
- b) Legal: communications, relevant events, Corporate Governance internal regulations, capital structure, structure of administrative bodies, typology of directors, significant shareholdings, etc.
- c) Economic: periodic reporting, annual financial statements, share price, etc.

Both the information available as well as its actual distribution portal – the website – are continually updated; Corporate Governance, the rules that regulate it and the continually developing legislation that governs it or recommends it, are updated on an ongoing basis.

Following the recommendation of the Special Commission for the Promotion of Transparency and Security in Financial Markets and Listed Companies, in March 2003 the Board of Directors drafted a structured and systematic regulation for the holding of shareholders' meetings, which was subject to approval at the General Shareholders' Meeting held on June 29, 2003, which unanimously approved the aforementioned regulation; a resolution that was notified to the CNMV on June 30, 2003. In addition to the provisions included in the Spanish Companies Act, this regulation incorporates a basic group of rules for the good order and functioning of shareholders' meetings, guaranteeing at all times, the right to information, to attend, to vote and the right to representation for shareholders. The complete text of the Rules of Operation of the General Shareholders' Meetings is available on Abengoa's website at [www.abengoa.com](http://www.abengoa.com). (Legal and Financial / Corporate Governance / Internal Corporate Governance Rules Information).

In accordance with the provisions of Article 19 of the Company's Bylaws, there is no limitation on the shareholders' right to vote based on the number of shares held. The right to attend General Meetings is limited to a holding of 1,500 shares, without prejudice to the right to representation and grouping that applies to all shareholders.

### Shareholders' rights

The right to information in accordance with the applicable legislation, the right to receive, free of cost, the documentation related to the General Meeting, the right to vote in proportion to his/her shareholding with no maximum limit, the right to attend upon holding a minimum of 1,500 shares, economic rights (dividend, if it were the case, and to the share-out of company assets), the right to representation and delegation, to grouping, and to taking legal actions that fall to the shareholder.

### Measures to promote shareholder participation

Forwarding the documentation related to the General Meeting, free of cost, to the shareholders, and uploading it onto the website at the time of notice of the General Meeting. Possibility of delegated and remote voting, through the completion of the attendance cards to this effect in an accredited manner.

The Company Bylaws do not limit the maximum number of votes for any one shareholder, or include barriers restricting the possibility of gaining control of the company by means of the acquisition of shares.

Resolutions to be put to the General Meeting are published when it is called and are included in the websites of the company and CNMV.

Agenda items which are essentially independent are voted on separately at the meeting, in such a way that shareholders can separately exercise their preferences to their vote. This is particularly the case for items relating to the appointment or ratification of members of the Board of Directors or modification of company bylaws.

The company allows the fractioning of votes issued by financial mediators who appear legitimized as shareholders but who represent multiple customers in a way that they are able to vote according to the individual instructions of each one of them.

The General Meeting is normally attended by a notary public who checks fulfillment of all the necessary requirements for the valid constitution of the meeting and the adoption of resolutions, and who issues the corresponding minutes upon completion of the meeting.

The Secretary to the Board, in accordance with the Company Bylaws and the Regulations of General Meetings, acts as Secretary at the same and is responsible for ensuring compliance with all legal and statutory obligations upon the calling, holding and adoption of resolutions by the General Meeting.

### Abengoa's Administration Structure

#### The Board of Directors

##### 1. Composition: number and identity

Following the modification of Article 39 of the Company Bylaws by agreement of the General Shareholders' Meeting held on April 15, 2007, the maximum number of seats on the Board of Directors, which to date has been nine, was increased to fifteen. The aim of this modification was fundamentally to provide this administrative body with the number of directors that would, on the one hand, allow for a potentially more diverse composition and, on the other, facilitate delegation, attendance and the adoption of resolutions with minimum attendance and which would guarantee a multiple and plural presence on the Board of Directors.

The Board's composition, in accordance with the recommendations established in the Aldama Report and in the Unified Code of Corporate Governance of Listed companies, takes the company's shareholding structure into account, so that it may firmly represent the highest possible percentage of the share capital and protect the general interests of both the Company and its shareholders, while also being granted the degree of independence that is appropriate to the professional practices and requirements of any company. The Board's current composition is as follows:

Felipe Benjumea Llorente
José B. Terceiro
José Joaquín Aburrente Llorente
José Luis Aya Abaurre
Javier Benjumea Llorente
María Teresa Benjumea Llorente
Mercedes Gracia Díez
Miguel Martín Fernández
Carlos Sebastián Gascón
Ignacio Solís Guardiola
Fernando Solís Martínez-Campos
Carlos Sundheim Losada
Daniel Villalba Vilá
Miguel Ángel Jiménez-Velasco Mazarío (secretary-director and legal counsel)



## 1. Condition and representation

The total number of board members is considered to be sufficient in order to ensure the proper representation and effective operation of the Board of Directors.

Notwithstanding the fact that independence is a quality that must be common to all directors without exception, regardless of their origins or the reason for their appointment, and that they must be judged on the reliability, integrity and professionalism of their performance, pursuant to the guidelines included in Law 26/2003 and Ministerial Order 3722/2003, and in the Unified Code of Corporate Governance of Listed Companies, the current administrators are classified as follows:

<b>Felipe Benjumea Llorente</b>	Executive (Chairman)
<b>José B. Terceiro</b>	Executive (Vice-Chairman) Coordinating Officer Member of the Audit Committee and of the Appointments and Remuneration Committee
<b>Javier Benjumea Llorente</b>	Member
<b>María Teresa Benjumea Llorente</b>	Member.
<b>José Joaquín Abaurre Llorente</b>	External, dominial. Member of the Audit Committee
<b>José Luis Aya Abaurre</b>	External, dominial. Member of the Appointments and Remuneration Committee
<b>Daniel Villalba Vilá</b>	Independent  Chairman, Audit Committee  Member of the Appointments and Remuneration Committee
<b>Miguel Martín Fernández</b>	Independent Member of the Audit Committee
<b>Ignacio de Polanco Moreno (*)</b>	Independent  Member of the Appointments and Remuneration Committee
<b>Carlos Sebastián Gascón</b>	Independent Chairman of the Appointments and Remuneration Committee.
<b>Mercedes Gracia Díez</b>	Independent Member of the Audit Committee
<b>Ignacio Solís Guardiola</b>	Member
<b>Fernando Solís Martínez Campos</b>	Member
<b>Carlos Sundheim Losada</b>	Member
<b>Miguel Ángel Jiménez-Velasco Mazarío</b>	Member

(\*) Mr. Ignacio Polanco Moreno resigned as a Company board member of his own volition on October 22, 2007, due to increased professional commitments.

The Board therefore comprises a majority of external, non-executive directors.

### **2. Rules governing organization and operation.**

The Board of Directors is governed by the Board Regulations, the Company Bylaws and the Security Exchange Code of Conduct. The Board Regulations were initially approved at the meeting of the Board of Directors held on January 18, 1998, with the clear aim of anticipating the current Good Governance regulations and ensuring effective internal regulation.

#### 2.1. Structure

The Board of Directors currently has fourteen members (there is one vacant seat). The Rules governing the Board of Directors regulate the duties and internal organization of the administration body. Additionally, members of the Board of Directors, senior management and all employees affected, due to their duties or title, have to comply with the Internal Conduct Regulation in relation to the Securities Market. The Rules of the General Shareholders' Meetings govern the formal aspects and the internal regime of the holding of the Shareholders Meetings. Finally, the Board of Directors is assisted by the Audit and Appointments and Remuneration Committees, both with their own Internal Rules and Regulations. All these rules and regulations, put together into the revised body of Corporate Governance Internal Rules, are available on the Company's website, [www.abengoa.com](http://www.abengoa.com).

#### 2.2. Duties:

It is the duty of the Board of Directors to take any action that may be necessary in order to pursue the Company's corporate objective, and it is empowered to establish the Company's financial targets, agree upon any relevant measures proposed by senior management in order to achieve these targets, and ensure the future viability and competitiveness of the company, along with the presence of a suitable management and leadership team, supervising the development of the Company's business.

#### 2.3. Appointments:

The General Meeting or, where applicable, the Board of Directors, within the powers and limits set out in law, is the competent body for appointing Board members. In addition to meeting the requirements set out in law, appointees shall demonstrate that they are known to be trustworthy and have the knowledge, reputation and professional references that are suitable to the performance of their duties.

Directors shall be appointed for a maximum of four years, without prejudice to the possible renewal of their appointment or their re-election.

#### 2.4. Removal:

Directors shall be removed from their position at the end of their tenure and under any other circumstance set out in law. They must furthermore relinquish their seat in cases involving their incompatibility, veto, serious sanction or any breach of their obligations as directors.

#### 2.5. Duties of Directors:

It is the duty of Directors to participate in the direction and monitoring of the company's management in order to maximize the value of the Company to the benefit of its shareholders. Each Director shall act with the

proper care of a dedicated professional and loyal representative, guided by the interests of the Company, with complete independence, defending and protecting the interests of all shareholders to the best of their abilities.

By virtue of their appointment, Directors are under the following obligation:

- To gather information and prepare properly for each meeting session.
- To attend and participate actively in meetings and the decision-making process.
- To avoid the occurrence of any conflict of interest and notify the Board of any potential conflict of interest, where applicable, through the Secretary.
- Not to undertake duties with competitor companies.
- Not to use company information for private purposes.
- Not to use the company's business opportunities for their own interests.
- To maintain the confidentiality of any information received as a result of their appointment.
- To abstain in any voting on resolutions that may affect them.

### 2.6. The Chairman:

In addition to the duties set out in law and in the Company Bylaws, the Chairman is the company's most senior executive, and as such is responsible for the effective management of the company, at all times acting in accordance with the decisions and criteria established by the General Shareholders' Meeting and the Board of Directors. He/she is responsible for implementing the decisions made by the company's administrative body, by virtue of the powers permanently delegated to him/her by the Board of Directors, which he/she represents in all its aspects. The Chairman also casts the deciding vote on the Board of Directors.

The Chairman also occupies the position of chief executive. As measures adopted to prevent the accumulation of powers, on December 2, 2002 and February 24, 2003, the Board of Directors proceeded to constitute the Audit Committee and the Appointments and Remuneration Committee, respectively. The powers of these Committees inherent to the commitments they have assigned by Law and the Company Bylaws and their respective internal rules and regulations cannot be delegated, and the committees are constituted as control and monitoring bodies for matters of their competence. Both shall be chaired by an independent, non-executive, director, and shall be composed of a majority of independent, non-executive, directors. In addition, following a proposal from the Appointments and Remuneration Committee, the Board of Directors presented a resolution which was passed by the General Shareholders' Meeting of April 2007 to create the position of coordinating-director for the external directors; a position which would also serve as the natural counterweight to the position of Executive Chairman.

### 2.7. The Secretary:

It is the Secretary's duty to exercise the powers attributed to him/her by law. At present, the positions of Secretary to the Board and Legal Counsel are occupied by the same person, who is responsible for ensuring that notice is given of meetings and that resolutions are adopted by the company's administrative body in a valid manner. In particular, he/she will advise members of the Board regarding the legality of their deliberations and any resolutions they adopt, and on compliance with the Internal Corporate Governance Regulations, as both formal and material guarantor of the principle of legality which governs the actions of the Board of Directors.

The Secretary to the Board, as a specialized guarantor of the formal and material legality of the Board's actions, has the full support of the Board in performing his/her duties entirely independently of any criteria or the constancy of his/her position, and he/she is also entrusted with defending the internal Corporate Governance regulations.

### 3. Payment and other benefits

The position of Director is paid, pursuant to the contents of Article 39 of the Company Bylaws. The amount paid to directors may consist of a fixed amount agreed by the General Meeting, though it is not necessary that this amount be the same for all of them. They may also receive a share of the company profits of between 5 and 10% maximum of annual profits, after dividends have been deducted, and may have their travel expenses reimbursed when such expenses relate to work carried out at the behest of the Board.

#### The Audit Committee

Abengoa's Audit Committee was established by the Board of Directors of Abengoa, S.A. on December 2, 2002 in order to comply with the of the Financial System Reform Act. Its Internal Rules and Regulations were ratified by the General Shareholders' Meeting of June 29, 2003, which also approved a modification of Article 44 of the Company Bylaws to include the provisions relating to functioning, composition and organization of said Committee.

#### 1. Composition: name and identity

The current composition of the Audit Committee is as follows:

Chairman	Mr. Daniel Villalba Vilá	February 28, 2005
Member	Mr. José B. Terceiro Lomba	February 24, 2003
Member	Mr. José J. Abaurre Llorente	February 24, 2003
Member	Ms. Mercedes Gracia Díez	December 12, 2005
Member	Mr. Miguel Martín Fernández	April 15, 2007
Secretary non-member of the Committee	Mr. Miguel Angel Jiménez-Velasco	February 24, 2003

The Audit Committee therefore comprises a majority of non-executive directors, thereby exceeding the requirements of the aforementioned Financial Systems Reform Act. The chairmanship of the committee must be exercised by a non-executive director, in accordance with the provisions of Article 2 of its Internal Rules and Regulations.

### 2. Duties

The Audit Committee has the following duties and competences:

1. To publish the Annual Financial Statements as well as the quarterly and half-yearly financial statements, which must be submitted to the bodies that regulate or supervise the markets, with the appropriate references to any internal monitoring systems, the monitoring procedures followed and compliance through internal auditing processes, including where applicable, the accounting criteria applied.
2. To inform the Board of any change to the accounting criteria and any risks, whether on or off the balance sheet.
3. To inform the General Shareholders' Meeting regarding any questions raised by shareholders on issues falling within its competence.
4. To propose the appointment of external accounts auditors to the Board of Directors, so that the latter may submit this proposal to the General Shareholders' Meeting.
5. To supervise internal auditing procedures. The Committee shall have complete access to the internal auditing process, and shall provide information during the process for the selection, appointment, renewal and removal of its director, and when his or her payment is being established, with the duty to provide information about this department's budget.
6. To have knowledge of the company's financial information procedure and its internal monitoring systems.
7. To maintain relations with the company's external auditors in order to remain informed regarding any matters that may place the independence of said auditors at risk, and regarding any other matters relating to the procedure followed in order to audit the company's accounts.
8. To request the Directors it considers appropriate to attend Committee meetings so that they may provide any information that the Audit Committee itself deems relevant.
9. To prepare an annual report on the activities of the Audit Committee, which must be included in the management report.

### 3. Financial Reporting

The Group's financial information consists basically of the consolidated financial statements, which are published quarterly, and the complete consolidated financial statements, which are prepared annually.

This information is prepared on the basis of the reporting that all Group companies are required to submit.

The information sent in by each of the individual companies is verified by both the Group's internal auditors and the external auditors, in order to ensure that the information is true and provides an accurate picture of the company.

Although Abengoa has made a significant effort in recent years to reduce the time taken to submit the group's financial information, we believe that the aforementioned time periods can be further reduced. In order to

achieve this, work is continuing on developing new tools and information systems.

One of the recurrent and most important activities of the Audit Committee is the verification of the economic and financial information prepared by the Group, prior to its submission to the Board of Directors of Abengoa and the stock market regulatory bodies (National Securities Exchange Commission).

Furthermore, in connection with these tasks of reviewing the financial statements and the processes involved in preparing them, the Committee was informed of all the relevant changes in international accounting and financial reporting standards.

#### **4. Risk, internal control and internal audit**

The Audit Committee's functions include "supervision of the internal auditing services" and "knowing the company's financial information process and internal control systems".

In order to supervise the sufficiency, suitability and effective functioning of the internal control systems, the Committee was systematically informed during fiscal year 2007 by the person in charge of corporate internal auditing, in relation to the following activities:

- the annual internal audit plan and the extent to which it was met;
- the extent to which the recommendations issued were implemented;
- a description of the main areas reviewed and the most significant conclusions;
- any other more detailed explanations requested by the Audit Committee

In comparison with previous years, a factor that has decisively influenced activities executed was the completion of SOX-compliant audits in a number of business units, as part of the process of fully aligning the internal control structure for financial reporting with the requirements of the Sarbanes-Oxley Act (Section 404) to which the group is committed.

During the 2007 fiscal year, the Audit Committee received reports on the evolution of tasks being undertaken in the group to align its internal control structure on financial reporting with the requirements of the Sarbanes-Oxley Act (Section 404).

#### **5. External auditing**

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

The auditor of the Abengoa, S.A. individual and consolidated annual accounts is PricewaterhouseCoopers. The latter is also the group's main auditor.

The policy of Abengoa is that all group companies be audited by external auditors, even when it is not required by law.

The Audit Committee is also responsible for supervising the results of the work of the external auditors. To this end, it is promptly informed of their conclusions and any incidents detected in the course of their reviews.

When required, the external auditor attends Audit Committee meetings in order to report on his field of competence, which basically focuses on the following:

- The review of the financial statements of the consolidated group and its companies and the issuance of an auditing opinion thereon.

Although the opinion of the auditors refers to the financial statements ending December 31<sup>st</sup> of each fiscal year, the work performed by the auditors in each company includes a review of a previous accounting period, usually the third quarter of the year (September), in order to anticipate any significant matters or operations that have arisen up to that date. In addition, reviews are carried out of the quarterly financial statements prepared in order to submit the information required by official bodies.

The consolidated financial statements of the following parent companies of their respective business units (and subsidiaries) are likewise audited: Abeinsa, Befesa, Telvent GIT, Abengoa Bioenergy and Abengoa Solar.

- Evaluation of the internal controls.

These are taken to be part and parcel of the auditors' work, within the framework of the special focus placed on the audit processes, and the fact that greater emphasis is attached to assessments of existing controls in the company than to substantive proof. In addition to their standard professional opinion, the external auditors must issue a report on internal controls, which forms the core of their submission to the Audit Committee. This approach will be reinforced by the implementation of the SOX regulating all types of report, scope and development of the actions of the company's auditor.

Abengoa manages its risks through the following model, aimed at identifying potential risks that could affect a business.

### Environmental Risk

Catastrophic Losses

Relations with Shareholders

### Internal Procedures Risks

**Operations**

**Management**

**Financial**

Compliance / Environment

Authority

Credit

Product Failures

Communications

Currency

Interruptions

**Information Processes**

Liquidity

Efficiency

Access

Human Resources

Availability

Erosion of the Commercial Framework

Relevance

**Integrity**

### Decision-Making Information Risks

**Operations**

**Financial**

**Strategic**

Contractual Undertaking

Regulator Report

Environm . Evaluation

Price Setting

Erroneous Information

Strategic Planning

Taxes



The procedures aimed at eliminating these business risks identified are orchestrated by means of the so-called Shared Management Systems.

The Shared Management Systems serve to identify both the risks included in the current model, as well as the monitoring activities which mitigate them. They therefore establish the internal rules for action and represent a common culture in the management of Abengoa's businesses.

The Shared Management Systems also help to:

- Optimize daily management, applying procedures favoring financial efficiency, a reduction in expenses and the standardization and compatibility of information and management systems.
- Promote synergies and create value for Abengoa's business units by working in an environment based on cooperation.
- Reinforce corporate identity, with all Abengoa companies respecting the shared values.
- Achieve growth through strategic development seeking innovation and new options in the medium and long terms.

The Systems cover the entire organization at three levels:

- All business units and areas of activity
- All levels of responsibility
- All types of operations

Compliance with the provisions of the Shared Management Systems is compulsory for the whole organization and, therefore, all members must be familiar with them. Any exceptions in adherence to these systems must be reported to the appropriate person and duly authorized.

The Shared Management Systems are constantly updated, which allows the best practices to be included in each one of its fields of action. In order to facilitate dissemination the successive updates are immediately communicated to the organization through computer support.

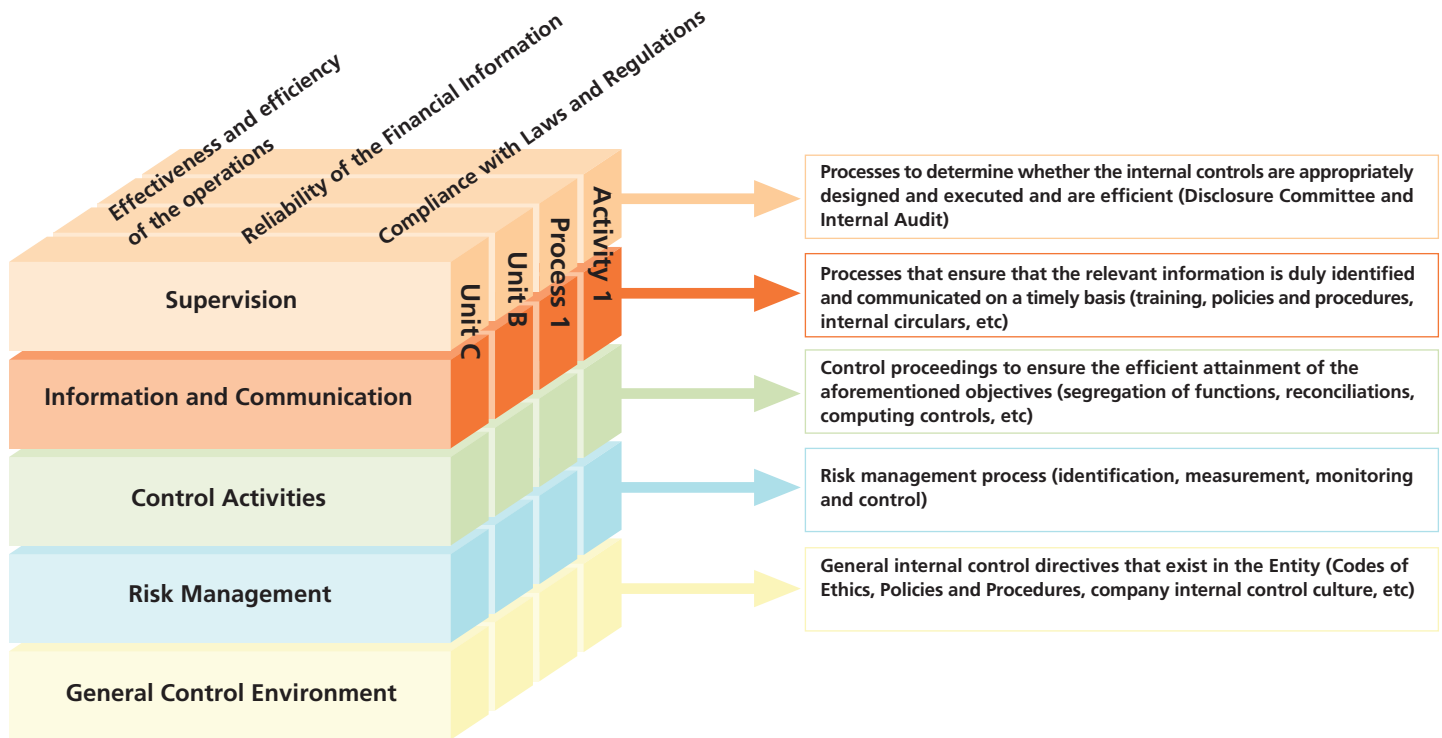
Those responsible for each of the regulatory processes that make up the Shared Management Systems must verify and certify compliance with said procedures. Each year's certification is issued and presented to the Audit Committee during January of the following year.

In addition, since 2004, Abengoa has been bringing its financial reporting internal control structure in line with the requirements of the Sarbanes-Oxley Act (Section 404).

According to the instructions of the Securities and Exchange Commission (SEC), SOX Act compliance is mandatory for companies and groups that are listed in the North American market. Nevertheless, Abengoa considers it necessary to comply with these requirements not only in the case of its subsidiary listed on the Nasdaq, but for all the companies, as said compliance completes the risk control model employed by the company.

At Abengoa, we consider that a suitable internal control system must ensure that all pertinent financial information is reliable and known to management. Thus we believe that the model developed and adapted to SOX requirements complements and completes our Shared Management Systems, the main purpose of which is to control and mitigate business risks.

The conceptual reference framework chosen was the COSO Model, for being the most similar to the approach required by SOX. In this model, internal control is defined as the process carried out in order to provide a reasonable degree of security in relation to meeting objectives such as compliance with laws and regulations, reliability of financial information and effectiveness and efficiency in operations.



Thus, the SOX requirements are being progressively implemented throughout Abengoa's business units. All processes affecting the group's different balance sheet and profit and loss account headings are being analyzed and documented, the risks associated to different activities a process are being identified, and detail is being provided of the control objectives set and the corresponding control activities to be executed in order to mitigate said risks. It is worth noting that the procedures defined in relation to the existing operational standards, such that the business management controls are firmly linked to the company's own controls on processes employed in obtaining financial information.

Similarly, and in line with the SOX recommendations, a review of the general control environment is being undertaken: policies and procedures, internal corporate control culture, ethical codes, etc so as to ensure alignment with the requirements of said law.

### **Supervision and control of the risk management model**

Supervision and control of the Abengoa risk management model is structured around the joint audit services, which include the auditing teams of the companies, business units and corporate services, and act in a coordinated manner, reporting to the Audit Committee of the Board of Directors.

From among their strategic objectives, we can highlight the following:

- Forestalling auditing risks to the group's companies, projects and activities, such as fraud, capital losses, operating inefficiencies and, in general, risks that may affect the favorable progress of the business.
- Controlling application and promoting the development of appropriate and efficient management rules and procedures, in accordance with the Shared Corporate Management Systems.
- Creating value for Abengoa, by promoting the building of synergies and the monitoring of optimal management practices.
- Coordinating criteria and task focuses with the external auditors, seeking maximum efficiency and profitability of both functions.
- As a consequence of the adoption of the Sarbanes-Oxley Act requirements described in the preceding section, the security and reliability of the financial information must be guaranteed by checking the controls put in place for this purpose and ensuring their proper functioning.

In order to meet these strategic objectives, the joint audit services have the following specific objectives:

- Evaluating the audit risk of Abengoa companies and projects following an objective procedure.
- Defining standard internal auditing and control working norms, in order to develop pertinent work plans with the scope appropriate to each situation. This methodology, based on appraisal of audit risks, determines the working plans to be executed and implies the type of suitable recommendations and reports, and therefore must be used explicitly in said documents.
- Guiding and coordinating the internal audit and control work planning processes of the companies and business units, defining a procedure for notification of said work and communication with the parties involved and establishing a coding system for the work, so that it can be appropriately controlled and monitored.

- Defining the process for communicating the results of each piece of audit work, the persons affected and the format of the documents in which it is materialized.
- Reviewing the application of the plans, the suitable execution and supervision of the work, the prompt distribution of the results and the monitoring of the recommendations and their subsequent implementation.
- Reviewing the proper functioning of the manual and automatic controls identified in the processes, as well as the proof of control, in order to guarantee security in obtaining financial information.

An internal auditing plan will be drawn up annually, its scope being determined by:

- a risk assessment for the different companies, areas and projects
- prevailing circumstances of each of them
- and the requirements of the Audit Committee

An assessment of the audit risk is executed for each project, company and business group. For these purposes, audit risk is defined as any possible event that might have a negative effect on the business, such as fraud, capital losses or operating inefficiencies. The risk assessment allows us to ascertain the areas in which we should focus our attention and work.

Planning seeks to guarantee that the risk areas identified will be covered by work that mitigates or eliminates the risks and allows them to be adequately identified, controlled and monitored. The result of this planning is the annual internal auditing plan.

The annual plan establishes the types of work to be performed and the scope of each task. Depending on the proposed scope, general company reviews, reviews of specific areas, procedure review or special work are proposed.

The annual plan is monitored by the Audit Committee on an ongoing basis, which is informed systematically on both the progress and the results obtained in the reviews conducted.

For each of the tasks planned, once the field work has been carried out, recommendations are identified to ensure not only that both legal and internal regulations are applied, but also that the best management practices in the pertinent area of activity are incorporated. These recommendations are classified as major or minor, depending on the importance of the area affected or, if applicable, the economic impact involved.

Traditionally, the main objective sought by internal auditing has been the control of audit risk, defined as any risk that affects the business and which it is possible for management to estimate, evaluate and control. Since the implementation of SOX, and without losing sight of the aforementioned objective, the proper functioning of the controls put in place by the company in order to ensure the reliability and veracity of Abengoa's financial information must also be guaranteed.

Each of Abengoa's activities, projects and companies must have a preliminary audit risk assessment that allows appropriate planning of the reviews to be performed. This risk estimate must follow objective criteria common to the entire group and will be the responsibility of the internal audit and control department, at the corresponding level of joint services for each specific case.

In relation to the above, the internal audit and control function should surpass a mere supervisory approach and, without decreasing the inspection and review activity, should actively promote improvements with immediate impact on the optimization of processes and businesses, the obtaining of synergies and, in short, the creation of value for Abengoa.

In both the focus of the work and the planning, execution, documentation, programs and notification of results thereof, coordination with the external auditors should prevail, so that the work of the two functions is not duplicated and Abengoa's internal audit and control procedures are validated and may be deemed as adequate audit proof to support the external auditor in his or her opinion.

In order to fulfill this objective, standardization of all the work cycles and documentation that contribute to the consistency of the work of Abengoa's internal auditors will be fomented.

### **The Appointments and Remuneration Committee**

The Appointments and Remuneration Committee was established by Abengoa's Board of Directors on February 24, 2003, and its internal rules and regulations were approved at the same time.

#### **1. Composition: number and identity**

The committee currently comprises the following members:

Carlos Sebastián Gascón (Chairman)  
José B. Terceiro Lomba  
José Luis Aya Abaurre  
Daniel Villalba Vilá  
Secretary and non-director: José Marcos Romero

The Appointments and Remuneration Committee is therefore largely composed of non-executive directors, thus exceeding the requirements set out in the Financial Systems Reform Act. Furthermore, the position of Chairman of the Committee must be held by a non-executive director, as stipulated in Article 2 of its Internal Rules and Regulations.

#### **2. Duties**

The duties and competences of the Appointments and Remuneration Committee are as follows:

1. To inform the Board of Directors regarding the appointment, reelection, removal and payment of members of the Board of Directors and the Advisory Board, and the positions held on these Boards, and to provide information on the general payment and incentive policy for members of these boards and for senior management.
2. To provide prior information regarding all the proposals prepared by the Board of Directors for the General Shareholders' Meeting in relation to the appointment or removal of Directors, including cases of co-option by the Board of Directors itself; to annually verify maintenance of the conditions

that prevailed in the appointment of a director and of the character or typology assigned to the same, submitting said information as part of the annual report. The Appointments Committee shall act as a watchdog to ensure that in filling any vacancies that may occur selection procedures are not affected by implicit bias hindering the recruitment of female directors, and that, as far as possible, shortlists include female candidates presenting the required profile.

3. To prepare an annual report on the activities of the Appointments and Remuneration Committee, which must be included in the management report.

Information submitted to the Committee:

- Monitoring and evolution of the remuneration for members of the Board of Directors and senior company managers.
- Payment proposals for members of the Board of Directors, as well as senior company managers.
- Preparation of information to be included in the annual accounts.
- Proposals for the Board of Directors for the development of a possible Long-Term Extraordinary Reward Scheme for personnel directors, as well as reports on the pay of Board members and the chief executive.
- Reports on market studies conducted by independent experts and pay comparisons.

### **The Strategy Committee**

This comprises the managers of the business units, the manager of organization, quality and budgets, the technical secretary, the director of human resources, the director of corporate and strategy development, the financial manager, the general secretary, and the chairman of the Board of Directors.

The duties of the Strategy Committee are essentially to analyze and evaluate Abengoa's business situation. Thus, this committee is responsible for ongoing monitoring of the performance of the company's businesses and for verifying that they are aligned with the established strategy, as well as for analyzing the business situation and horizon, and reviewing the design of strategy in order to ensure that it is in tune with new circumstances and situations that may arise.

### **The Professional Code of Conduct**

At the request of the human resources department during the 2003 fiscal year, the company implemented a Professional Code of Conduct, modified in 2005 with the aim of incorporating several common elements to the different companies that make up Abengoa. This modification addressed geographical, cultural and legal diversity, while establishing the fundamental values that should govern the actions of all the company's employees, regardless of their position or responsibilities. Integrity of conduct, the strict observance of the law in force, professional rigor, confidentiality and quality have formed part of Abengoa's culture since its establishment in 1941, and these values still form an essential part of the company's corporate identity.

The honesty, integrity and sound judgment of Abengoa employees, officers and directors is essential to Abengoa's reputation and success.

This Code of Conduct governs the actions and working relationships of Abengoa's employees, officers and directors with current and potential customers, fellow employees, competitors, government bodies, the media, and anyone else with whom Abengoa has contact. These relationships are essential to the continued success of Abengoa. When this Code of Conduct refers to "Abengoa", it includes Abengoa, S.A. and each of its subsidiaries.

This Code of Conduct:

- Requires the highest standards for honest and ethical conduct, including proper and ethical procedures for dealing with actual or apparent conflicts of interest between personal and professional relationships;
- Requires full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed or submitted by Abengoa with governmental agencies or in other public communications made by Abengoa;
- Requires compliance with applicable laws, rules and regulations;
- Addresses potential or apparent conflicts of interest and provides guidance for employees, officers and directors to communicate those conflicts to Abengoa;
- Addresses misuse or misapplication of Abengoa's property and business opportunities;
- Requires the highest level of confidentiality and fair dealing within Abengoa and outside Abengoa; and
- Requires immediate internal reporting of violations of this Code of Conduct and proper reporting of any illegal behavior.

Abengoa's Professional Code of Conduct is available on its website, at [www.abengoa.com](http://www.abengoa.com)