

# Corporate Governance Report

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## a. Introduction

### Corporate Governance

The coming into force of the Financial System Reform Act and the publication of the report on security and transparency in the markets elaborated by the Aldama Commission and the recent Transparency Act, have amended and improved, in so far as Corporate Governance practices are concerned, through a ensemble of rules and regulations, some of which are of a clearly innovative nature, the system that was in force, or recommended, at the time. And there are still more innovations pending development in the near future.

Thus, from a formal perspective, Corporate Governance in small and medium sized listed companies was understood, until the aforementioned reforms, to be the minimum requirements needed to allow a complete response to the questionnaire that the National Securities Market Commission demanded as a result of the Olivencia Report and the recommendations included in it. Today, following the reform, listed companies can not merely take a passive or explanatory stance. Some of the Aldama Report recommendations have already been incorporated into prevailing law and must be complied with. The current measures, rulings and recommendations to date, form a single coherent and complete group, whose objective is to offer a real and transparent representation of the listed company, as an additional element for the investor to consider.

Corporate Governance, as an ensemble of practices – required by law as well as being undertaken voluntarily – of each company in relation to the structure, organization, operation, competences and supervision of its governing bodies, is bound together in a fundamental principle, that is none other than the principle of the capital markets: the general principle of information; transparent, real, balanced, true and complete information. Only in this way can shareholders and potential investors be guaranteed an equality of treatment and opportunities.

There are two sides to the information obligation:

- The objective side:  
“what” is reported

Accounting or financial information  
Relevant events  
Capital structure, shareholders  
Corporate Governance Legislation  
Annual Corporate Governance Report

- The subjective side:  
“how” to report it

Periodic financial information  
Relevant events  
Significant shareholdings  
Issued and submitted brochures  
Website, etc.

Abengoa has made a significant effort within its company structure and its different components, to adapt itself and incorporate the initiatives put in place by the new legislation. Below we will briefly review each of these aspects and the innovations implemented by the company:

#### a) Accounting / financial information.

This is perhaps the aspect that has suffered the least amendments. The periodic information obligations (quarterly, half-yearly and annual) remain based on an information model created by the CNMV which, from the second quarter 2002, can only be submitted telematically (in coded electronic format), implemented voluntarily by Abengoa two years ago.

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## b) Relevant Events.

The Financial System Reform Act has modified the previous definition of this concept, establishing it as the information whose knowledge thereof could reasonably lead an investor to purchase or transfer securities and therefore may appreciably influence the price. Nevertheless, the relevant event concept continues to be non-specific and open (signifying that conducts or actions that warrant this consideration are not specified, partly because it is an almost impossible exercise due to the varied practices of corporate decisions that may be relevant but where a certain degree of legal uncertainty remains). There are two criteria that are used complementarily to determine the content of this concept: i) the practice followed by the CNMV on previous occasions, and ii) the practice followed by companies themselves on similar occasions. Here the basis of good governance is deduced; consistency; not only is the existence of internal and casuistic regulations of value but the consistency between this and the real conduct of the company and its administrators and senior management.

## c) Related Transactions.

- c.1) these are transactions carried out between the company and its shareholders, administrators or directors that entail the transfer of business resources, obligations or business opportunities.

The related transactions have a dual information channel:

- a) Those that are relevant are individually reported as a relevant event.
- b) All transactions are summarized in the half-yearly information report.

- c.2) Related transactions may potentially be a source of so-called conflicts of interest. In these cases, good governance practice recommends a series of measures in resolving them whenever possible: i) the abstention from voting for the adoption of the corresponding resolution by the persons affected by the conflict of interest; ii) complete, clear and real-time distributed information, and iii) independent evaluation.

Aware of the limitations imposed on it by its individual characteristics arising from its history and its composition, Abengoa has adopted these transparency criteria and the criteria for the resolution of these potential conflicts. To this end, on February 24, 2003, the Board of Directors modified the Board of Directors' regulations and the Advisory Board's regulations.

## d) Annual Corporate Governance Report.

The questionnaire on the level of take-up of the Olivencia Report's recommendations proposed by the CNMV to be carried out by all listed companies has been fulfilled through the obligation to create and disseminate an Annual Corporate Governance Report.

The Annual Report reflects the specific principles of the company's governance structure (who and how decisions are made and what decision making is based on) in the same way that the periodic financial reporting is a summary of the main economic characteristics of the company for the period under consideration, collated in the balance sheet and the profit and loss account for this period.

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Abengoa implemented this recommendation in 2002, and a specific chapter relating to the Company's governance was therefore included in the 2002 Annual Report – and we have been doing so in subsequent years – completed with the new items included in the Aldama Report and in the Financial System Reform Act, distinguishing the actions already taken from those that were being finalized for their upcoming implementation. Therefore:

- a) On December 2, 2002, the Audit Committee was constituted.
- b) On February 24, 2003, the Appointments and Remuneration Committee was constituted.
- c) On the same day, February 24, 2003, the Board of Directors drafted a proposal modifying the Company Bylaws for the purpose of incorporating the provisions relating to the Audit Committee, the proposal relating to the Regulation on the administration of shareholders' meetings, the partial amendments to the Regulations of the Board of Directors and the Regulations of the Advisory Board and, finally, the rules governing the Internal Regulations of the Audit Committee and the Appointments and Remunerations Committee, approved by the General Meeting of June 29, 2003.

Finally, following another of the Aldama Report recommendations, the Internal Corporate Governance Regulation was rewritten as a complete single text and was duly notified to the CNMV and is available since then on Abengoa's website.

- e) [Website \(www.abengoa.com\)](http://www.abengoa.com).

The obligation to provide the market with useful, truthful, complete and balanced information in real time would not be sufficient if the appropriate means of transmitting this information are not adequate, guaranteeing that

it is disseminated effectively and usefully. Therefore, as a result of new technology, the Aldama Report, the Financial System Reform Act and the Transparency Act recommend and impose the use of listed companies' websites as an information tool (including historical, qualitative and quantitative company data in it) and as a distribution tool (including current or personalized information in real-time that may be accessed by investors).

Abengoa therefore introduced a new website at the end of the first quarter 2002, characterized firstly by a more direct, rapid and efficient on-screen presentation and secondly by a wide-ranging and comprehensive information content and documentation, made available to the shareholders in particular and to the general public, which is subjected to a continuous process of revision, enhancement and updating.

In conclusion, we should say that both the available information and its actual distribution portal – the website – are continuously updated; Corporate Governance, the rules that regulate it and the laws that govern or recommend it continue, and will continue to constantly develop. In the same way that all companies engaged in growing must adapt and anticipate the development of the markets, so must they also be forward-looking, in relation to self regulation (that is, adopt their own code of conduct so that their operation and decisions may be evaluated from the outside), development, transparency and information in order to reassure market confidence and with it, their growth.

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## b. The Company's Shareholding Structure.

### i) Significant shareholdings.

Abengoa S.A.'s share capital is represented by book-entry records managed by Iberclear (Sociedad de Gestión de los Sistemas de Registro, Comparación 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 22,627,420 euro 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.

The latest modification to the share capital was made by 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 euro per share, with the resulting modification to the number of issued shares, from 22,627,420 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
24.06.2001	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 June 25, 2004, 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%
- Vinuesa Inversiones, S.L.:	5.08%

Tax or VAT no.	Shareholder	Number of direct shares	Number of indirect shares (*)	%/ Share Capital
A41105511	Inv.Corporativa	45,234,723	5,465,183 (*)	56.04
A41037797	Finarpisa	5,465,183 (*)	-	6.04
B95249777	Vinuesa Inversiones	4,600,000	-	5.08

(\*) Through:

Tax or VAT no.	Shareholder	Number of direct shares	% s / Share Capital
A41037797	Finarpisa	5,465,183	6.04

- Significant movements during the financial year.

Tax or VAT no.	Shareholder	Transaction date	Description
—	—	—	—
—	—	—	—

The number of registered shareholders at the General Shareholder's Meeting held on June 27, 2004, was 7,450.

The Company is not aware of the existence of any agreements between shareholders undertaking neither to adopt, by means of joint voting, a common policy regarding the management of the company nor to significantly influence it.

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## ii) Shareholdings of members of the Board of Directors.

In accordance with the register of significant shareholdings the company maintains and pursuant to the Internal Conduct Regulation in relation to the Stock Market, the administrators' shareholdings in the company's capital as at December 31, 2004 are as follows:

	% Direct	% Indirect	% Total
Felipe Benjumea Llorente	0.059	0	0.059
Javier Benjumea Llorente	0.002	0	0.002
José Joaquín Abaurre Llorente	0.013	0	0.013
José Luis Aya Abaurre	0.061	0	0.061
José B. Terceiro Lomba	0.111	0.111	0.222
Ignacio de Polanco Moreno	0	0	0
Corp.Caixa Galicia S.A.U.	0.001	0	0.001
<b>Total</b>	<b>0.247</b>	<b>0.111</b>	<b>0.358</b>

ID or Tax no.	Director	Date first appointment	Date last appointment	Number of direct shares	Number of indirect shares	%/ Share Capital
28526035	Felipe Benjumea Llorente	25.06.83	24.06.01	53,720	0	0.059
28345379	Javier Benjumea Llorente	25.06.83	24.06.01	1,960	0	0.002
28414158	José Joaquín Abaurre Llorente	25.06.88	30.06.02	12,000	0	0.013
28332348	José Luis Aya Abaurre	25.06.83	30.06.02	55,076	0	0.061
35203147	José Terceiro Lomba	28.07.03	28.07.03	100,000	100,000	0.222
2191423	Ignacio de Polanco Moreno	28.07.03	28.07.03	0	0	0
A15.125.057	Corp.Caixa Galicia	28.01.04	28.01.04	1,600	0	0.001

## iii) Shareholders' Agreements.

The company has no evidence of the existence of any shareholders' agreements or syndication agreement among its shareholders.

- Indication as to whether any fiscal or judicial person may exercise control in accordance with article 4 of the Stock Exchange Act (LMV).

Tax or VAT no.	Denomination
A41105511	Inversión Corporativa, I.C., S.A.
Observations	
In accordance with art. 4 LMV Inversión Corporativa holds more than 50% of the share capital.	

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## iv) Treasury Stock.

At 31.12.2004, the company does not possess any of its own shares as treasury stock, nor has it acquired any of its own shares during the 2004 financial year.

The General Shareholders' Meeting, held on June 27, 2004, agreed to authorize the Board of Directors to make derived acquisitions, through purchases, of shares in the company that may be made either directly or via subsidiary companies or investors up to the maximum limit specified under current provisions at a price of between three euro cents (0.03 euro) per share minimum and one hundred and twenty euro and twenty cents (120.20 euro) per share maximum, being able to make use of this facility during a period of eighteen months from that very date and subject to that specified in Section Four of Chapter IV of the Revised Text of the Spanish Companies Act, expressly revoking the authorization conferred to the Board of Directors, for the same purposes, by virtue of the agreement adopted by the Shareholders' General Meeting held on June 29, 2003.

To date, the Board of Directors has not made use of the above authorization.

- Treasury Stock:

Number of direct shares	Number of indirect shares	% of Share Capital
0	0	0

- Details of significant variations:

Date	Number of direct shares	Number of indirect shares	% of Share Capital
—	0	0	0

Results obtained by treasury stock	Thousands of euro
0	0

On September 15, 2004, Abengoa's Board of Directors, based on the fact that the company's listed price on that date, of around 7 euro per share over the last quarter, did not reflect the Company's true growth potential, deemed it to be of interest to the Company, from a financial point of view, to invest in its own shares. Nonetheless, taking into consideration the fact that the Company is, by definition, a shareholder that possesses more information than the rest of the market and that, even without it so desiring, its operations might influence the listed price of the Company's shares, it proceeded to adopt the corresponding rules and precautions, to ensure that there would be no artificial influence of the prices. As a consequence thereof, while making use of the powers conferred by the General Meeting, the Board of Directors agreed as follows:

- 1.- To make use of the authorization conferred by the General Meeting and proceed to purchase the Company's own shares.
- 2.- The sum to be used for the purchase of the shares of Abengoa, S.A. itself would not exceed 15 million euro in the current financial year. Under no circumstances would 5% of the share capital be exceeded, nor would a price in excess of 7.25 euro per share be paid.
- 3.- To put Mr. Santiago Correa Portillo in charge of executing the Treasury Stock (hereinafter called " the Person responsible for the Treasury Stock), to whom, should he not already have them, the necessary authorizations will be given so as he may execute the purchase orders and, if it were the case, sales orders for the shares, and to open, monitor and maintain the corresponding share accounts. The Person responsible for the Treasury Stock will purchase the company's own shares according to his own criterion and in accordance with the treasury possibilities, staying, at all times, within the limits of the applicable legislation and in particular within the contents of Section VII of the Stock Market Act 24/1988, Abengoa's Internal Code of Conduct Regulations in matters

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relating to the Stock Market and the directives in this agreement. As guiding criteria for the management of the treasury stock, the regulations contained in what was Market Letter 12/1998 from the CNMV dated December 17, 1998, shall also be observed.

- 4.- The Person responsible for the Treasury Stock shall channel all his orders through only one Stock Broking Company or Agency of his choice.
- 5.- The Person responsible for the Treasury Stock shall refrain from issuing orders when he is in possession of any privileged information related to the Company, and until such a time as this is no longer the case.
- 6.- The Person responsible for the Treasury Stock shall order the Stock Broking Company or Agency to abstain from executing a purchase or sale order when the volume of the transaction represents a significant proportion of the daily volume of Abengoa share trading in that market.
- 7.- The Person responsible for the Treasury Stock shall endeavor to ensure that the transactions do not give rise to a significant change in the listed price, and to this end, he shall instruct the Stock Broking Company or Agency to abstain from executing any order that generates a price tendency. For this purpose, prior to executing the order received, the Stock Broking Company or Agency must take into consideration the price at which the previous transaction was executed between independent parties and expressly notify the Person responsible for the Treasury Stock in the event that a significant alteration to the price might be brought about.
- 8.- The Purchase or Sale Orders shall not be executed at the opening or close of the market session, nor at any other specific time around which reference prices for the shares are calculated (for example in the event of volatility auctions).
- 9.- The Person responsible for the Treasury Stock shall abstain from issuing orders, and shall instruct the Stock Broking Company or Agency to abstain from executing share purchase or sale orders, when Abengoa's listed price experiences abnormal or extraordinary movements in terms of price or volume, and he shall inform the Monitoring Body indicated in article 8 of Abengoa's Internal Regulations Governing Conduct in Stock Market Matters, whenever he becomes aware of the existence of said circumstances.
- 10.- To empower Mr. Santiago Correa Portillo so that he may execute, specify and fulfill this agreement, elevate it to public, purchase or order the purchase of the Company's own shares, as well as their sale, transfer sums of money, and pay and receive payment for the aforesaid transactions, transfer and lodge shares and sign the documents corresponding to the aforesaid transactions, as well as to take any steps or actions that are necessary or convenient in order to execute what has been agreed hereby with the Commercial Register, the CNMV, Stock Markets, Iberclear or any other public or private bodies or institutions.

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## c. Company's Administrative Structure.

### i) The Board of Directors.

#### i.1) Composition: number and identity of members.

Following the modification of Article 39 of the Company Bylaws by agreement of the General Shareholders' Meeting held on June 29, 2003, the maximum number of seats on the Board of Directors, which to date has been four, was increased to seven. The aim of this modification was fundamentally intended 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.

Maximum number of directors	7
Minimum number of directors	3

The Board's composition, in accordance with the recommendations established in the Aldama Report, 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:

Abaurre Llorente, José Joaquín.

Aya Abaurre, José Luis.

Benjumea Llorente, Felipe.

Benjumea Llorente, Javier.

Corporación Caixa Galicia S.A.U. represented by Mr. José Luis Méndez López.

Polanco Moreno, Ignacio de

Terceiro Lomba, José B.

Secretary Non-director and Legal Advisor: Miguel A. Jiménez-Velasco Mazarío.

#### • Members of the Board of Directors:

ID or Tax no.	Name	Representative	Position	Date 1 <sup>st</sup> Appointment	Date last Appointment	Election Procedure
28332348	José Luis Aya Abaurre	—	Director. Member Appoint. & Remuneration Committee	25.06.83	30.06.02	Share. Meet.
28414158	José Joaquín Abaurre Llorente	—	Director. Member Audit Committee	25.06.88	30.06.02	Share. Meet.
28526035	Felipe Benjumea Llorente	—	Chairman	25.06.83	24.06.01	Share. Meet.
28345379	Javier Benjumea Llorente	—	Chairman	25.06.83	24.06.01	Share. Meet.
A15125057	Corp. Caixa Galicia	JL.Méndez López	Director. Chairman Audit Committee	28.01.04	28.01.04	Cooptation
2191423	Ignacio de Polanco Moreno		Director. Chairman Appoint. & Remuneration Committee	28.07.03	28.07.03	Share. Meet.
35203147	José Terceiro Lomba		Director. Member Audit Committee and of the Appoint. & Remuneration Committee	28.07.03	28.07.03	Share. Meet.

Total number of directors	7
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## i.2) 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 the Olivencia and Aldama reports, Law 26/2003 and Ministerial Order 3722/2003, the current administrators are classified as follows:

- Felipe Benjumea Llorente - Executive (Chairman).
- Javier Benjumea Llorente - Executive (Chairman).
- José Joaquín Abaurre Llorente - Dominial; External. Member of the Audit Committee.
- José Luis Aya Abaurre - Dominial; External. Member of the Appointments and Remuneration Committee.
- Corporación Caixa Galicia S.A.U. Represented by José Luis Méndez López - Independent; External. Chairman of the Audit Committee.

- José B. Terceiro Lomba - Independent; External. Chairman Advisory Board. Member of the Audit Committee. Member of the Appointments and Remuneration Committee.

- Ignacio de Polanco Moreno - Independent; External. Chairman of the Appointments and Remuneration Committee.

As a result, the Board comprises a majority of external, non-executive directors.

The first four directors listed are also members of the Board of Directors of Inversión Corporativa IC, S.A., a reference shareholder of Abengoa (56% share), and their appointment as directors was made at the proposal of this shareholder.

- Members of the Board of Directors and their different condition:

### Executive Directors:

ID or Tax no.	Name	Committee that proposed him	Position
28526035	Felipe Benjumea Llorente	Board of Dir. (*)	Chairman
28345379	Javier Benjumea Llorente	Board of Dir. (*)	Chairman

(\*) Prior to the existence of the Appointments and Remuneration Committee.

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## Dominial external directors:

ID or Tax no.	Name	Committee that proposed him	Represented shareholder	Shareholder's Tax no.
28414158	José Joaquín Abaurre Llorente	Board of Dir. (*)	Inversión Corporativa, I.C., S.A.	A41105511
28332348	José Luis Aya Abaurre	Board of Dir. (*)	Inversión Corporativa, I.C., S.A.	A41105511

(\*) Prior to the existence of the Appointments and Remuneration Committee.

## Independent external directors:

ID or Tax no.	Name	Committee that proposed him	Profile
2191423	Ignacio de Polanco Moreno	Appointments	Independent
A15125057	Corp.Caixa Galicia	Appointments	Independent
35203147	José Terceiro Lomba	Appointments	Independent

## Delegated powers:

Director's ID no.	Name	Description
28526035	Felipe Benjumea Llorente	Delegation of powers
28345379	Javier Benjumea Llorente	Delegation of powers

## Directors that are members of other listed companies:

ID or Tax no.	Name	Listed Company	Position
35203147	José Terceiro Lomba	U.Fenosa	Member of Board of Directors
35203147	José Terceiro Lomba	Iberia	Member of Board of Directors, Member of the Executive Committee
35203147	José Terceiro Lomba	Grupo Prisa	Member of Board of Directors, Member of the Audit Committee
A15125057	C.Caixa Galicia	Sacyr	Director
A15125057	C.Caixa Galicia	U.Fenosa	Vice-chairman and Advisory Committee
A15125057	C.Caixa Galicia	Prosegur	Director
A15125057	C.Caixa Galicia	Ence	Chairman of the Board of Directors
2191423	Ignacio de Polanco Moreno	Grupo Prisa	Member of the Board of Directors

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## i.3) Rules governing organization and operation.

The Board of Directors is governed by the Board Regulations, the Company Bylaws and the Stock 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. They were last modified on June 29, 2003, in order to incorporate provisions relating to the Audit Committee established in the Financial System Reform Act.

### - Structure:

The Board of Directors currently has seven members. The Rules governing the Board of Directors rule the duties and internal organization of the administration body. The Advisory Board to the Board of Directors has ten members and is an auxiliary board for advising the Board. It has its own internal Rules. Additionally, there exists the Internal Conduct Regulation in relation to the Stock Market, with which the members of the Board of Directors, senior management and all employees affected due to their duties or title have to comply. The Rules of the General Shareholders' Meetings governs 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 Regime Rules. All these Rules, put together into the joint body of Corporate Governance Internal Rules is available on the Company's web site, [www.abenga.com](http://www.abenga.com).

### - 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 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.

### - 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 members of the Board of Directors. 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 relevant 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.

### - 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.

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## - Meetings:

As per article 42 of the Company Bylaws, the Board of Directors shall meet whenever it is required in the interest of the Company and, at least, three times a year, the first meeting to be held during the first quarter. During 2004 it met on a total of six occasions.

## - 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.

## - 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, though always 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 taken by the company's administrative body, by virtue of the powers permanently delegated to him/her by the Board of Directors, which he represents in all its aspects. The Chairman also has the casting vote on the Board of Directors.

The position of chief executive falls on the Chairman. The measures adopted to prevent the accumulation of powers are:

## - Measures to limit risks

In accordance with that established in article 44 bis of the Company Bylaws, 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 regime 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.

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- The Secretary:

It is the Secretary's duty to exercise the powers attributed to him/her in law. At present, the titles of Secretary to the Board and Legal Advisor fall on 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.

- Resolutions:

Resolutions are adopted by a simple majority of the board members present (either in person or by proxy) at each session, with the exception of those cases specifically set out in law.

i.4) Remuneration and other rights.

- Remuneration:

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 payments made during the 2004 financial year to all the members of the Board of Directors in their capacity as members of both the Board and the Advisory Board to the Board of Directors of Abengoa, S.A. amounted to 786 thousand euro in the form of allocations and expenses, and 296 thousand euro for other concepts. Likewise, fully paid-up pension commitments were undertaken for a current value of 946.7 thousand euro.

In addition, the payment made during the 2004 financial year to the company's senior management, this being understood to include the group of fifteen people who form part of the Chairman's Office, the Strategy Committee and the Directors of the Corporate Departments amount in total, including both fixed and variable amounts, to 4,842 thousand euro.

- Aggregate Remuneration of the Directors earned during this financial year, in the individual company which is the object of this report (Abengoa, S.A.): Figures in thousands of euro:

Remunerated concept	Data in thousands of euro
Set remuneration	329
Variable remuneration	1,624
Expense allowances	181
Statutory issues	—
Options on shares and/or other financial instruments	—
Others	—
Total:	2,134

Other Benefits	Data in thousands of euro
Advance payments	—
Loans provided	—
Pension Funds and Plans: Contributions	—
Pension Funds and Plans: Acquired obligations	—
Life insurance premiums	2
Constitutive guarantees by the company in favor of the directors	—

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- Table with the aggregate Remuneration of the Directors earned during this financial year, upon them being members of other Boards of Directors and/or of senior management, of group Companies; Figures in thousands of euro:

Remunerated concept	Data in thousands of euro
Set remuneration	33
Variable remuneration	—
Expense allowances	3
Statutory issues	—
Options on shares and/or other financial instruments	—
Others	—
Total:	36

Other Benefits	Data in thousands of euro
Advance payments	—
Loans provided	—
Pension Funds and Plans: Contributions	—
Pension Funds and Plans: Acquired obligations	—
Life insurance premiums	—
Constitutive guarantees by the company in favor of the directors	—

- Table with the total aggregate (all the directors) Remuneration (all concepts) by director typology; Figures in thousands of euro:

Director typology	Abengoa	Group
Executive	1,837	—
Dominial External 92	15	—
Independent External	207	21
Other External	—	—
Total:	2,136	36

- Percentage the total Remuneration (for all the concepts) and aggregate (all the directors) represents in relation to the Profit attributed to the Parent Company; Figures in thousands of euro:

Total Remuneration Directors (in thousands of euro)	2,172
Total Remuneration Directors / profit attributed to the Parent Company (expressed as a %)	4.19%

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- Table identifying the members of senior management, that are not executive directors, indicating the total remuneration earned by them during the financial year; Figures in thousands of euro:

ID or VAT no.	Name or company	Position
50.821.489	Javier Salgado Leirado	Manager, Bioenergy Business Unit
29.754.087	Javier Molina Montes	Manager, Environmental Services Business Unit
02.601.273	Manuel Sánchez Ortega	Manager, Information Technologies Business Unit
27.907.575	Alfonso González Dominguez	Manager, Industrial Engineering and Construction Business Unit
04.686.869	Salvador Martos Hinojosa	Manager, Latin America Business Unit
00.114.321	José Antonio Moreno Delgado	Manager, Technical Secretariat
28.720.078	Álvaro Polo Guerrero	Manager, Human Resources
00.826.260	Amando Sánchez Falcón	Finance Manager
27.883.847	José Marcos Romero	Manager, Appointments and Remuneration
28.584.961	Juan Carlos Jiménez Lora	Manager, Investor Relations Dept.
30.583.968	Asier Zarraonandia Ayo	Controller
28.874.696	Miguel Ángel Jiménez-Velasco Mazarío	General Secretary
27.140.440	Jesús Viciano Cuartara	Manager, Organization, Quality and Budgets

<b>Senior Management's total remuneration (in thousands of euro)</b>	3,022
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ii) The Advisory Board to the Board of Directors.

The Advisory Board to the Board of Directors of Abengoa was established, by agreement of the Extraordinary General Meeting held in January 1998, as an advisory body whose duties include the provision of professional advice to facilitate the adoption of decisions by the company's administrative bodies, and whose powers include examining the development of the company's business through consultations submitted by the Board of Directors and through proposals presented for its consideration.

The creation of the Advisory Board in January 1998, again with the clear aim of anticipating and opening up new channels of internal self-regulation in pursuit of the effective, transparent and professional management of the company, involved the regulation of a process for the channeling of information provided by the company management, in order to ensure that this information was accurate, verifiable and complete

The Advisory Board is configured as a management and decision-making body with complete autonomy. It has powers of consultation

# Corporate Governance Report

and specific technical assessment duties governed by criteria of independence and professionalism. The majority of its members are of known reputation, experience and qualifications and have no significant relationship with the company's executive management, in order to underline the independence inherent in the Advisory Board.

The Advisory Board contributes effectively to the defense of the company's general interests, independently of the company's actual management team, and its main duty is to provide professional and independent models and criteria so that the Board of Directors may make a proper evaluation and take the correct decisions.

## ii.1) Composition

Pursuant to the contents of Article 46 of the Company Bylaws, Article 26 of the Board Regulations and Articles 3 and 6 of the Rules governing the Internal Regulation of the Advisory Board, the Advisory Board is currently composed of the following members:

José B. Terceiro Lomba	Chairman.
M <sup>a</sup> Teresa Benjumea Llorente	Member.
Maximino Carpio García	"
Rafael Escuredo Rodríguez	"
José M. Fernández-Norniella	"
Ignacio Solís Guardiola	"
Fernando Solís Martínez-Campos	"
Carlos Sundheim Losada	"
Cándido Velázquez-Gaztelu Ruiz	"
Daniel Villalba Vila	"

Secretary non-director: Miguel Ángel Jiménez-Velasco Mazarío

## ii.2) Condition and Representation.

### - Appointment:

At the proposal of the Board of Directors, the Advisory Board comprises a maximum of twelve members, and it currently has ten, of which more than half must be independent, something which is fulfilled by the present members, as per the list above.

The appointment of Maximino Carpio Garcia and Daniel Villalba Vila to the Advisory Board, in the 2003 financial year, has consolidated the professional and independent nature of the Board inherent since its initial establishment in 1998.

### - Term:

Each member's appointment remains valid for a period of four years, without prejudice to the renewal of the position or the member's re-election. Removal may occur upon expiry of the term, resignation or removal, among other reasons.

### - Remuneration:

The position of Board Member is a paid position, the amount of their remuneration being established for each financial year by the Board of Directors, pursuant to the contents of Article 39 of the Company Bylaws. This amount is shown in the Annual Financial Statements. In addition, any expenses incurred as a result of work carried out at the behest of the Board are reimbursed. (See point II, a.4) above).

### - Meetings:

The Advisory Board meets at least once a quarter, and on any occasion that it is asked to do so by the Chairman in order to deal with urgent or extraordinary matters. The Board met five times during the 2004 financial year.

### - Resolutions:

Resolutions are adopted by simple majority of the board members present (either in person or by proxy) at each session.

## iii) Committees formed by the Board of Directors.

### iii.1) The Audit Committee.

Pursuant to the provisions of the Financial System Reform Act, on December 2, 2002, Abengoa's Board of Directors established an Audit Committee and at the same time approved the Internal Regulations governing the Committee's operation. These Rules were ratified by the General Shareholders' Meeting on June 29, 2003, which at the same time approved the modification of Article 44 of the Company Bylaws, in order to incorporate the provisions relating to the operation, composition and organization of this Committee.

#### Composition.

Following the inclusion as independent committee members of Jose B. Terceiro Lomba, Ignacio de Polanco Moreno and Jose Luis Mendez Lopez (Corporación Caixa Galicia), pursuant to the resolution adopted by the General Shareholders' Meeting on June 29, 2003, the Audit Committee currently comprises the following members:

- José L.Méndez López (\*) Chairman and independent non-executive director.
- José B. Terceiro Lomba Member and independent non-executive director.
- José J. Abaurre Llorente Member and dominial non-executive director.
- Secretary non-director: Miguel A. Jiménez-Velasco Mazario

(\*) Representing Corporación Caixa Galicia, S.A.U., legal entity Director of the Company.

As a consequence, the Audit Committee is entirely composed of non-executive directors, thus surpassing the requirements set out in the aforementioned Financial Systems Reform Act. Furthermore, the position of Chairman of the Committee must be held by a non-executive director, as set out in Article 2 of its Internal Regulations.

#### Duties.

The duties and powers of the Audit Committee are as follows:

1. To announce 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 reference 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.

# Corporate Governance Report

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 summon the Directors it considers appropriate to 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.

## Organization and operation.

The Audit Committee shall meet as frequently as is necessary in order to carry out its duties, and at least once a quarter.

The Audit Committee shall be considered validly formed when a majority of its members are present. Attendance may only be delegated to a non-executive Director.

Its resolutions shall be validly adopted when voted for by a majority of the Committee members present or represented. In the event of a tie, the Chairman shall have the casting vote.

- Amounts paid to the Audit firm for other works: Figures in thousands of euro:

	Company	Group	Total
Amount for works other than auditing	187	2,559.7	2,746.7
Previous / Total amount billed (%)	53.31%	57.62%	61.83%

	Company	Group
No. of years audited by the firm /	14 (since 1990)	14 (since 1990)
Total no. of years in which it has been audited	100%	100%

## iii.2) 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 Regulations were approved at the same time.

### Composition.

Following the inclusion as independent committee members of Mr. Jose B. Terceiro Lomba, Mr. Ignacio de Polanco Moreno and Mr. Jose Luis Mendez Lopez (Corporación Caixa Galicia), pursuant to the resolution adopted by the General Shareholders' Meeting on June 29, 2003, the Committee currently comprises the following members:

- Ignacio de Polanco Moreno      Chairman and independent non-executive director.
- José B. Terceiro Lomba          Member and independent non-executive director
- José Luis Aya Abaurre          Member and dominial non-executive director.
- Secretary and non-director:      José Marcos Romero

As a consequence, the Appointments and Remuneration Committee is entirely composed of non-executive directors, thus surpassing 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 set out in Article 2 of its Internal Regulations.

## Duties.

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

1. To inform the Board of Directors regarding the appointment, re-election, 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-optation by the Board of Directors itself.
3. To prepare an Annual Report on the activities of the Appointments and Remuneration Committee, which must be included in the Management Report.

## Organization and operation.

The Appointments and Remuneration Committee shall meet as frequently as is necessary in order to carry out the foregoing duties, and at least once every six months.

The Appointments and Remuneration Committee shall be considered validly formed when a majority of its members are present. Attendance may only be delegated to a non-executive Director. Its resolutions shall be validly adopted when voted for by a majority of the Committee members present or represented. In the event of a tie, the Chairman shall have the casting vote.

## iii.3) The Strategy Committee.

This comprises the managers of the Business Units, the manager of Organization, Quality and Budgets, the Technical Secretary, the manager of Human Resources, the General Secretary, and the Chairman of the Board of Directors.

It meets on a monthly basis.

## iii.4) The Stock Exchange Internal Code of Conduct.

This was implemented in August 1997. It applies to all directors, members of the Strategy Committee and to other employees on the basis of the activities they carry out and the information to which they have access.

It establishes obligations regarding the protection of information, the duty of secrecy, relevant aspects relating to stages prior to decision-making and publication, establishing the procedure for the maintenance of internal and external confidentiality, the registration of share ownership and transactions relating to securities and conflicts of interest.

The monitoring and supervising body is the General Secretary office.

## iii.5) The Professional Code of Conduct.

At the request of the Human Resources department, during year 2003 the company implemented a Professional Code of Conduct, which establishes 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.

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## Professional Code of Conduct

Throughout its history, Abengoa has grown on the basis of a series of shared values, the most important of which are explicitly listed below. These principles constitute the structure for our Ethical Code. The organization must use all channels to foster the knowledge of, and enforcement of the same, as well as establish mechanisms for monitoring and reviewing the situation so as to ensure the appropriate monitoring and updating of the Code.

### 1. Integrity.

Honorable behavior in professional activities forms part of the very identity of Abengoa and this attitude must be apparent in all actions by our personnel, both inside and outside the company. Demonstrable integrity becomes credibility in the eyes of our customers, suppliers, shareholders and other third parties with which we are connected and creates value in itself for both the individual concerned and the entire organization.

### 2. Legality.

The fulfillment of legal obligations is not merely an external requirement and therefore an obligation of the organization and its personnel. The law gives us security in our actions and reduces our business risk. Any action which implies a breach of current legality is expressly and absolutely prohibited. If there is any doubt as to the legally correct course of action to be taken, then the corresponding consultation must be made to the Legal Department.

### 3. Professional Rigor.

The concept of professionalism at Abengoa is closely tied to our vocation for service in carrying out activities and to close involvement with the business project being developed.

All actions effected in the course of professional functions entrusted to personnel must be governed by professional responsibility and the principles established in these regulations.

### 4. Confidentiality.

Abengoa expects all personnel in its organization to uphold criteria of discretion and prudence in

their communications and dealings with third parties.

The appropriate safekeeping of information in the possession of the Company requires all of Abengoa's employees to maintain strict control of all data, adequately guarding documents and not sharing this information with any person inside or outside the organization who is not authorized to access the same.

In addition, specific policies to be followed in this regard for specific matters requiring high degrees of confidentiality are established.

### 5. Quality.

Abengoa is committed to quality in all of its actions, both internal and external. This is not a task for a specific group of individuals, or for senior management, but rather, it affects the daily activities of all the members of the organization.

Abengoa has implemented specific norms on quality and these are the result of doing things with expertise, common sense, rigor, order and responsibility.

### 6. Corporate Culture and Common Management Systems.

Abengoa places great value on its Corporate Culture and the Common Management Systems as a key business asset. These define Abengoa's way of doing business, through the establishment of a series of Rules of Obligatory Fulfillment. The proper respect for these is a source of security and profitability for the development of Abengoa's activities.

It shall be the prerogative of the Presidency or of the Management Body delegated by the same to classify the severity of any breaches of these Rules.

In all cases, breaches of the same referring to those areas with a direct impact on the results of the activity or on the assumption of uncontrolled risks will be considered as Very Serious Faults.

# Corporate Governance Report

## d. Inter-group and related transactions in the 2004 financial year.

### i) Transactions with significant shareholders.

Explotaciones Casaquemada, S.A. (an affiliate company of Inversión Corporativa, I.C., S.A., shareholder of reference of Abengoa) has granted a right on the surface of the land ("*derecho de superficie*") in favor of Fotovoltaica Solar Sevilla, S.A. (an affiliate company of Abengoa, S.A.), by means of a public deed executed on December 24, 2004, for thirty years on a 12-hectare plot of land, for a cumulative rent of 216.4 thousand euro for the entire duration of the right granted. Said plot shall be devoted by Fotovoltaica Solar Sevilla, S.A. to the promotion, erection and running of a 1.2 MW photovoltaic solar energy plant.

Also, Explotaciones Casaquemada, S.A. (being affiliate company of Inversión Corporativa, I.C., S.A.) sold barley grown on abandoned lands to Ecoagrícolas, S.A. (an affiliate company of Abengoa, S.A.) for a total amount of 33,530 euro. Said barley was used for the production of biofuels, within the U.E. Grants Program.

Shareholder's Tax no.	Name	Company's Tax no.	Name	Nature	Type	Thousands of euro
A06004279	Explotaciones Casaquemada	A41/974304	F. Solar Sev.	Surface right in favor of F. Solar Sev.	30 Years	216.4
A06004279	Explotaciones Casaquemada	A30751986	Ecoagrícola	Sale of barley	Yearly	33.5

### ii) Transactions with administrators and directors.

During 2004 there were no personal or company transactions between the company and its administrators or senior management.

Shareholder's Tax no.	Name	Company's Tax no.	Name	Nature	Type	Thousands of euro
—						
—						

### iii) Significant inter-group transactions.

Abengoa, S.A. is, and operates as, the parent company of a group of entities. As such, it performs a certain amount of activities and roles that complement the integral product that one or several Business Units jointly offer to their clients. Thus, different companies and Business Units share customers and they jointly develop their businesses acting one or other companies as head, on a case by case basis. This gives rise to cross-selling between the companies (inter-group).

Moreover, Abengoa co-ordinates and manages the financial resources through a centralized administration system, allowing the optimization of said resources in those non-recourse financed businesses that arise out of the collection/payment cycle by using factoring and confirming procedures.

As a consequence of the on-market conditions 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 genuine guide 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 Units of Abengoa, working in a collaborative ambience.
- 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 units and business lines;
- all levels of responsibility;
- all types of transactions.

In a group such as Abengoa, with more than 200 companies, a presence in over 40 countries and more than 9,000 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 the 2004 financial year, Abengoa has commenced an alignment project of its Risk Management model with the conceptual framework established by the Sabarnes-Oxley (SOX) Act, with the aim of furthering the continuous enhancement of its control processes.

Although the aforementioned Act corresponds with the rules of obligatory fulfillment for companies and groups listed on the North American market, according to instructions from the Securities and Exchange Commission (SEC), Abengoa believes that, not only must its subsidiary Telvent GIT, S.A., listed on the NASDAQ, comply with these obligations, but all the other group companies must do so also, given that it leads to advances being made in the enhancement of control and risk mitigation processes.

Completion of the project is scheduled for during the course of the 2005 financial year.

## ii) Internal Audit

### Definition

The function of Abengoa's internal audit is structured around the Pooled Audit Services that encompass the audit teams of the companies, business units 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 co-ordinate the criteria and the focus of the external auditors' work, seeking the best efficiency and profitability of both functions.
- 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 has 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:

### 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.
- 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 Unit reports.

## f. General Shareholders' Meetings.

### i) Rules of Operation.

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, that 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 that established under 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.

Quorum to Constitute: At first calling: 25% of the share capital. At second calling, any amount of the share capital. These amounts are the same as those established by Company law. In the event of issues related to matters under art. 103 of Company Law, the quorum is also that established by the Law.

Quorum for adopting resolutions: by simple majority of the votes present or represented at the General Meeting. In the event of issues related to matters under art. 103 of Company Law, the quorum is also that established by the Law.

Shareholders' rights: Right to information in accordance with the applicable legislation, right to receive, free of cost, the documentation related to the General Meeting, right to vote in proportion to his/her shareholding with no maximum limit, 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), right to representation and delegation, to grouping, and to taking legal actions that fall to the shareholder.

Measures to promote the participation of the shareholders: making the documentation related to the General Meeting available to be forwarded, free of cost, to the shareholders, as well as its inclusion on the website at the time of notice of the General Meeting. Possibility of delegation and remote voting, through the completion of the attendance cards to this effect in an accredited manner.

The Company Bylaws specify that the chairmanship of the General Meeting shall be taken up by the Chairman or Vice-chairman of the Board of Directors, as agreed by the Board itself. In accordance with this, the General Shareholders' Meetings are chaired by the Vice-chairman of the Board of Directors.

The Operation Regulations for the General Shareholders' Meetings, approved by the General Meeting of June 29, 2003, regulates the calling, operating, exercise of rights and resolution adoption procedures at the general Meeting, and establishes a precise and imperative framework for the holding of the General Meetings.

Likewise, 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.

Likewise, the Secretary to the Board (non-director), 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.

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## ii) Information on the last General Shareholders' Meeting.

The Abengoa Ordinary General Shareholders' Meeting of June 27, 2004, was held with the attendance of 197 shareholders (42 present and 155 represented) of a total 7,450 registered shareholders. The number of shares, present or represented was 65,364,729 or 72.25% of the total share capital.

The resolutions adopted, all by the favorable vote of the whole of the share capital present or represented, were the following:

1. Approval of the Financial Statements and the Management Report for the 2003 financial year, of the Company and its Consolidated Group, as well as the activities and actions of the Board of Directors during the aforesaid financial year. Information on the Rules of Operation for the General Shareholders' Meetings approved on June 29, 2003 and on the Rules governing the Board of Directors. Approval of the Application Proposal for the Distribution of the Result for the 2003 financial year.
2. The re-election of PricewaterhouseCoopers as the company's auditor of the accounts and of the consolidated group for the 2004 financial year.
3. Ratification of the appointment of Corporación Caixa Galicia as a Director appointed by cooptation.
4. Modification of article 46 of the Company Bylaws (increasing the maximum number of members of the Advisory Board from ten to twelve).
5. The authorization of the Board of Directors to increase the company's capital within the limits established by Law, without consulting the General Shareholders' Meeting in advance, with express power to exclude the right of preferred subscription in accordance with that established in article 159.2 of Company Law, revoking and leaving without effect the amount pending from previous authorizations awarded by the General Shareholders' Meeting.
6. The authorization of the Board of Directors to issue bonds or other similar securities of fixed or variable income, simple or guaranteed, convertible or non-convertible into shares, directly or through Group Companies, in accordance with the legislation in force, revoking the authorization for the same purposes, by virtue of the agreement adopted by the General shareholder's Meeting.
7. The authorization of the Board of Directors for the derivative purchase of the company's own shares, directly or through Group Companies, in accordance with the legislation in force, revoking the authorization conferred for the same purposes, by virtue of the agreement adopted by the General Shareholders' Meeting.
8. The delegation to the Board of Directors for the interpretation, correction, execution, drafting and registration of the adopted resolutions.

## iii) Web

The company maintains its bilingual (Spanish and English) website permanently updated at [www.abengoa.es](http://www.abengoa.es).

The agreements adopted by the last General Meeting held on June 27, 2004 are recorded on this site. Likewise, the full text of the notice of the meeting, the agenda and the resolutions that were proposed for the Meeting's approval were incorporated on the website on June 8, 2004.

On the occasion of future notice of meetings, the Company will keep the information available on them updated, for the purpose of supporting the right to information, and with this, the right to vote, of the shareholders, on equal terms.

Finally, with the regulatory and technical progress to be established, the right to vote or to electronic delegation will be guaranteed under the protection of specific legal certainty.

# Corporate Governance Report

## g. Level of monitoring of the recommendations relating to Corporate Governance.

In the measure by which the information contained in the recommendation reports is less detailed and developed than the current Annual Corporate Governance Report, we defer to it for the issues set out therein. Said Report is available at [www.abengoa.com](http://www.abengoa.com).

Likewise, pursuant to the Ministerial Order of December 22, 1999, actioned by Circular 1/2000 of the CNMV relating to the business development and prospects of listed companies assigned to the New Market segment, the company annually remits the relevant information required, similarly at the time of the notice of the Ordinary General Shareholders' (June 8, 2004). Said information is available at "[www.abengoa.com](http://www.abengoa.com) (Legal and Financial Information / Reports to CNMV / Relevant Events; Other Communications (08.06.2004))".

## h. Information Tools.

### i) Web ([www.abengoa.com](http://www.abengoa.com)).

The obligation to provide useful, true, complete and balanced information to the market in real-time would not be sufficient if the suitable methods for transmitting this information were not appropriate, guaranteeing that it is distributed effectively and usefully. As a result, the Aldama Report and the Financial System Reform Act recommend, as a result of new technologies, the use of listed companies' websites as an information tool (including historical, qualitative and quantitative company data in it) 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, news releases, newsletters, etc.
- b) Legal: communications, relevant events, Corporate Governance internal regulations, etc.
- c) Economic: periodic reporting, 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, is adhered to, and will be adhered to. Today there is a special, far-reaching concept that is being developed in a regulatory field; the regulation of shareholders' rights (information, voting, etc.) by non-habitual methods. Similar to all companies engaged in growing, Abengoa must adapt itself and anticipate, as in fact it has been doing, to the development of the markets as well as towards self-regulation (that is, adopting its own Code of Conduct by which its actions and decisions can be evaluated from outside the company), progress, transparency and information, which have to be anticipated in order to reassure the confidence of the market and therefore the Company's growth.

### ii) Shareholder Service Department

In order to facilitate permanent contact with the company's shareholders, the Company has a Shareholder Service Department whose manager is the General Secretary, with the objective of establishing a transparent and smooth communication with its shareholders and to allow access to the same timely and formatted information together with the institutional

# Corporate Governance Report

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investors whose equal treatment is guaranteed. The distribution of true and reliable information on relevant events, news releases and the periodic financial-economic information are supervised in particular.

A Shareholders' mail box is available at the website ([www.abengoa.com](http://www.abengoa.com)).

### iii) Investor Relations Department

With the same objective as the Shareholder Service but in relation to investors, the Company has an Investor Relations Department and stock market analysts responsible to the Director of Management Information Systems, assisted by the Finance Director, who is responsible for the design and implementation of the program for communication with the national and international financial markets for the purpose of understanding the principal characteristics and strategic actions of the company.

This Annual Corporate Governance Report was unanimously approved by the Board of Directors of Abengoa, S.A. at its meeting on February 28, 2005.