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Abengoa is unflinchingly committed to transparency in its management processes and to good governance, both of which underpin its relations with stakeholders and provide the cornerstones for successful business relationships.

The application of good governance practices that help increase the transparency of the information published by Abengoa generates added value for the company when communicating with third parties, while also minimizing risk and maximizing profits.

Corporate Governance

In line with its commitment to transparency, managerial control and ethical conduct when engaging in business, Abengoa has opted for the following structure within its governing bodies:

Board of Directors

Abengoa has devised its own Internal Regulations of the Board of Directors, by subjecting the actions of directors to a raft of rules on accepted conduct, guided by the principles of business ethics and geared towards upholding the priority of corporate interests, while ensuring the transparency "of financial, social, and legal information, among others, and the integrity of the resolutions adopted by the Board.

Membership of the Board of Directors is currently as follows:

Personal or corporate name of the director	Post on the Board	Type of Members
Felipe Benjumea Llorente	Chairman	Executive
Aplicaciones Digitales, S.L.	Vice-Chairman	Executive
Alicia Velarde Valiente	Board member	Independent
Carlos Sebastián Gascón	Board member	Independent
Carlos Sundheim Losada	Board member	Propietary
Daniel Villalba Vilá	Board member	Independent
Fernando Solís Martínez-Campos	Board member	Propietary
Ignacio Solís Guardiola	Board member	Propietary
Javier Benjumea Llorente	Board member	Propietary
José Borrell Fontelles	Board member	Propietary
José Joaquín Abaurre Llorente	Board member	Propietary
José Luis Aya Abaurre	Board member	Propietary
María Teresa Benjumea Llorente	Board member	Independent
Mercedes Gracia Díez	Board member	Independent
Miguel Martín Fernández	Board member	Independent
Total number of directors: 15		

Audit Committee

As with the Board of Directors, and given the need for control mechanisms to function properly and efficiently, the Audit Committee is also subject to its own internal regulations.

Membership of the Audit Committee is currently as follows:

Name	Post	Type of member
Carlos Sebastián Gascón	Chairman	Independent
Daniel Villalba Vilá	Member	Independent
Aplicaciones Digitales, S.L.	Member	Executive
José Joaquín Abaurre Llorente	Member	Proprietary
Mercedes Gracia Díez	Member	Independent
Miguel Martín Fernández	Member	Independent

The Audit Committee primarily comprises non-executive members, thereby meeting the requirements prescribed by applicable law and regulations on good governance and, in particular, the Financial System Reform Act (Ley de Reforma del Sistema Financiero). Likewise, and in accordance with Article 2 of the Internal Regulations, the office of committee chairman must be vested in a non-executive member.



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

- Report on the annual accounts and half-yearly and quarterly financial statements that must be submitted to regulatory bodies and market monitoring bodies, making reference to the internal control systems, the control mechanisms to monitor implementation and compliance through internal audit procedures and, where appropriate, the accounting principles applied.
- Inform the Board of Directors of any changes in accounting principles, balance sheet risk and off-balance sheet risk.
- To report to the General Shareholders' Meeting on those matters requested by shareholders that fall within its remit.
- To propose the appointment of the external financial auditors to the Board of Directors for subsequent referral on to the General Shareholders' Meeting.
- To oversee the internal audit services. The Committee will have full access to the internal audit and will report during the process of selecting, appointing, renewing and removing the director thereof. It will likewise control the remuneration of the latter, and must provide information on the budget of the internal audit department.
- To be fully aware of the financial information reporting process and the company's internal control systems.
- To liaise with the external audit firm in order to receive information on any matters that could jeopardize the latter's independence and any others related to the financial auditing process.
- To summon those Board members it deems appropriate to its meetings, so that they may report to the extent that the Audit Committee deems fit.
- To prepare an annual report on the activities of the Audit Committee, which must be included as part of the annual accounts for the year in question.
- Supervise the preparation process and monitor the integrity of the financial information on the company and, if applicable, the group, and to verify compliance with regulatory requirements, the appropriate boundaries of the scope of consolidation and the correct application of accounting principles.
- Periodically review the internal control and risk management systems so that the principal risks are appropriately identified, managed and reported.
- Supervise the internal audit function, through full access to it, and monitor and supervise its independence and effectiveness; propose the selection, appointment, re-election and removal of the manager of the internal audit service; propose the budget for this service and set the remuneration for its manager; receive periodic information on its activities and the budget for the service; and verify that senior management takes into account the conclusions and recommendations of its reports.
- Establish and oversee a mechanism whereby employees may confidentially and anonymously, if deemed necessary, communicate potential irregularities, especially financial and accounting, which they may identify within the company, proposing the appropriate corrective measures and approvals to the Board of Directors.
- Submit proposals regarding the selection, appointment, re-appointment and replacement of the external auditor to the Board of Directors, including the terms of procurement.
- Receive regular information on the audit plan and the results of its implementation from the external auditor, and verify that the senior management takes the recommendations thereof into account.
- Safeguard the independence of the external auditor.
- Ensure that the group auditor is tasked with conducting the audits for the individual group companies.

- Oversee and resolve conflicts of interest. Pursuant to the Regulations of the Board of Directors, Board members are under the obligation to inform the Board of any situation of potential conflict, in advance, and to abstain until the committee has reached a decision.

Appointments and Remuneration Committee

The structure and members of the Appointments and Remuneration Committee are as follows:

Name	Post	Type of member
Daniel Villalba Vilá	Chairman	Independent
Alicia Velarde Valiente	Member	Independent
Aplicaciones Digitales, S.L.	Member	Executive
Carlos Sebastián Gascón	Member	Independent
José Luis Aya Abaurre	Member	Proprietary

The Appointments and Remuneration Committee comprises a majority of non-executive directors. Likewise, in accordance with that envisaged in Article 2 of its Internal Regulations, the position of committee chairman must be held by a non-executive director.

The Appointments and Remuneration Committee is entrusted with the following functions and responsibilities:

- To report to the Board of Directors on appointments, reappointments, removals and the remuneration of the Board and its component posts, as well as on the general policy of remunerations and incentives for positions on the Board and within the senior management.
- To report, in advance, on all proposals that the Board of Directors presents to the General Shareholders' Meeting regarding the appointment or removal of directors, even in cases of co-optation by the Board itself; to verify, on an annual basis, continuing compliance with the requirements governing appointments of directors and the nature or type thereof, all of this being information to be included in the Annual Report. The Appointments Committee will ensure that, when vacancies are filled, the selection procedures do not suffer from implicit bias that hinders the selection of female directors and that women who meet the required profile are included among the potential candidates.
- To prepare an annual report on the activities of the Appointments and Remuneration Committee, which must be included in the Management Report.

For further information on the structure and types of director and governing bodies, please consult the Annual Corporate Governance Report.

More information in Annual Corporate Governance Report

Photo taken by
**Adenilson Mendes de
Lima**, from Bioenergy,
to the 1st Edition of the
Abengoa Sustainability
Photography Contest



Good Governance Practices

Following a favorable report from the committee, the full Board of Directors will approve the following company policies and strategies:

- Investment and financing policy
- Definition of the structure of the business group
- Corporate governance policy
- Corporate social responsibility policy
- Strategic or Business Plan, as well as the budget and management targets
- Remuneration and performance assessment policy for senior executives
- Risk control and management policy, as well as the periodic monitoring of internal information and control systems
- Dividends and treasury stock policy and, in particular, limits thereto

Case Study Remuneration of Directors

Above and beyond the information required by law, Abengoa voluntarily included individualized breakdowns of the remuneration paid to each member of the Board of Directors, with figures for both 2008 and 2009.

The draft Sustainable Economy Act (Ley de Economía Sostenible), still awaiting enactment through the Spanish parliament, will require Spanish listed companies to include in their annual public information an individualized breakdown of the remuneration paid to directors, such obligation to take effect from the date on which the Act becomes law.

The company has therefore been voluntarily incorporating specific practices regarding good governance and transparent information reporting before they actually become obligatory for listed companies, another prime example of this approach being the implementation of its Audit Committee in 2002.

For further information on the remuneration of the members of the company's senior governing bodies, please consult the Annual Corporate Governance Report.

2009 Milestones

- Reduction in the number of executive directors to 13%.
- Increase in the number of independent directors to 40%.

Transparent Practices

One of the cornerstones of the company's strategy is its unflinching commitment to transparency and rigor. To reflect and strengthen this undertaking, the company set itself an objective several years back to the effect that all the information that appears in the Annual Audit Report must have its corresponding external audit report.

Therefore, 2007 witnessed the first audit of the company's Corporate Social Responsibility Report. In 2008, this was extended to the Greenhouse Gas Emissions Report and in 2009, the Corporate Governance Report underwent an external audit process.

The company is not content with a moderate assurance audit report pursuant to ISAE 3000 standards, but rather aims to continue migrating towards a type of reasonable assurance audit report, which represents the most stringent kind of assurance to which a company can aspire.



In 2009, the company commissioned no less than six reports from its external auditors, all of which form an integral part of the Annual Report:

- Audit report on the consolidated accounts of the group, in accordance with applicable law.
- Voluntary audit report on internal control compliance under PCAOB (Public Company Accounting Oversight Board) standards, pursuant to the requirements imposed by section 404 of the Sarbanes-Oxley Act (SOX).

- Voluntary reasonable assurance audit report on the Corporate Governance Report, with Abengoa being the first listed company in Spain to obtain a report of this nature.
- Voluntary reasonable assurance audit report on the Corporate Social Responsibility Report.
- Voluntary audit report on the Greenhouse Gas (GHG) Emissions Inventory.
- Voluntary audit report on the design of the Risk Management System pursuant to ISO 31000 standard.

Risk and Crisis Management

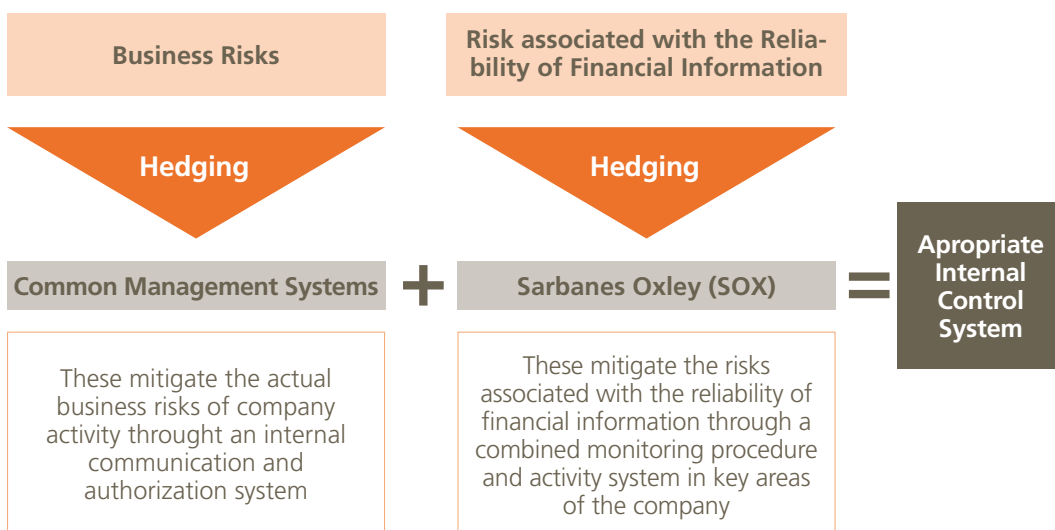
Internal Control and Risk Management

In a group the size of Abengoa, with more than 600 companies operating in over 70 countries worldwide and boasting over 24,000 employees, a common business management system is an absolute necessity as it enables us to work effectively and in a coordinated and consistent manner.

The current scene is characterized by dizzying growth in technology, rapid social, economic and political changes and the overriding need to generate value.

To tackle the threats stemming from this situation, while also harnessing business opportunities as they arise, Abengoa believes that risk management is an essential activity and function for adopting strategic decisions, and that the company must have criteria and approaches in place to pave the way for secure and sustainable business growth.

Abengoa's Risk Management Model comprises two core elements:



Both elements combine to form an integrated system that enables the company to manage risks and controls suitably throughout all levels of the organization. It is essentially a living system that requires constant updates to keep it in line with the business reality.

a) Business Risk

Abengoa manages its risks through the following model, which aims to pinpoint the potential risks of a business:



The procedures aimed at eliminating business risks are channeled through the so-called Common Management Systems (CMS), which represent a shared culture for Abengoa's different lines of business. They identify risks, define the necessary hedging transactions and establish control activities. The Common Management Systems are made up of eleven rules, which define exactly how each of the potential risks included in Abengoa's risk model must be managed.

The Common Management Systems implement the necessary business and risk management processes in Abengoa, encompass all business groups and areas of activity and involve the different levels of responsibility and hierarchy. The CMS incorporate a host of specific procedures covering any action that could lead to a risk for the company, whether economic or non-economic.

Through the Common Management Systems, the company can also:

- Streamline day-to-day management, applying procedures geared towards financial efficiency, cutting costs and standardizing and ensuring the compatibility of information and management systems.
- Promote synergies and value creation throughout Abengoa's different business groups.
- Reinforce corporate identity, with all Abengoa companies adhering to the shared values.
- Attain growth through strategic development, seeking innovation and new options in the medium and long term.

b) Risks associated with the reliability of financial information

In 2004, Abengoa began the process of adapting its structure of internal control over financial information to the requirements set forth in Section 404 of the SOX Act. This process of alignment was completed in 2007, although it continues to be implemented in new company acquisitions as they occur every year.

The SOX Act was passed in the United States in 2002 in order to ensure transparency in management and the accuracy and reliability of the financial information published by companies listed on the U.S. stock market (SEC registrants). This law makes it mandatory for these companies to submit their internal control system to a formal audit by their financial auditor, which must also issue an independent opinion on the control system in place.

According to the instructions of the Securities and Exchange Commission (SEC), SOX Act compliance is mandatory for companies and groups that are listed on the U.S. stock markets. Even though only one of its Business Units - Information Technologies (Telvent) - is subject to SOX-compliance, Abengoa considers it necessary to comply with these requirements as a group, as they complement the risk control model employed by the company.

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

The initiative arose in response to the group's rapid growth over the last few years, coupled with our anticipated future growth. The purpose is to be able to continue ensuring investors that our financial reports are accurate, timely and complete.

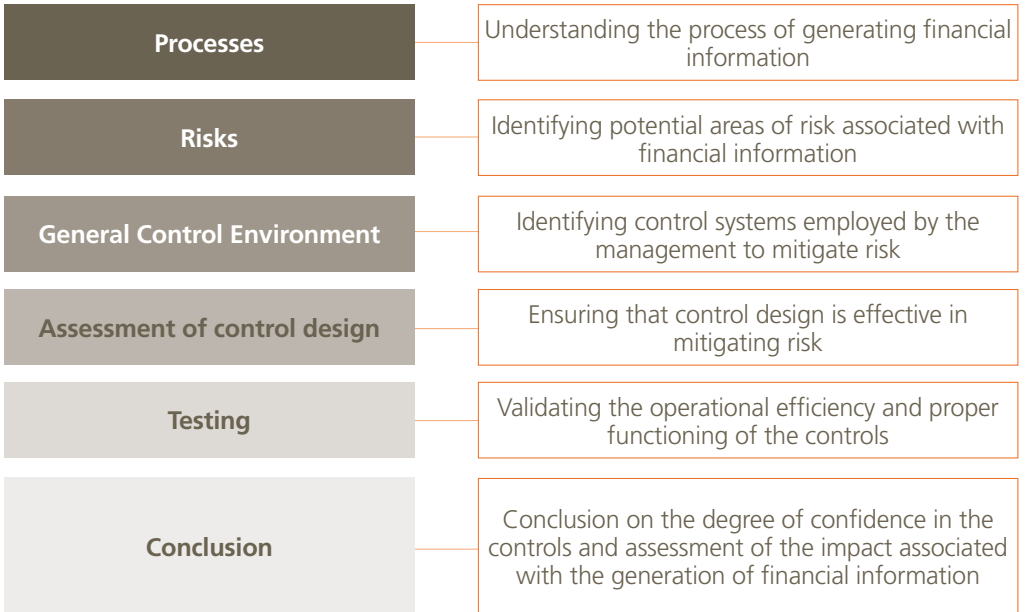
With the aim of complying with the requirements under Section 404 of the SOX Act, Abengoa's internal control structure has been redefined using a "top-down" approach based on risk analysis.

This risk analysis encompasses a preliminary identification of significant risk areas and an assessment of the company's controls over them, starting with top-level executives - corporate and supervisory controls - and subsequently moving down to the operational controls in place in each process.

Our focus is as follows:

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

Our risk management work encompasses the following aspects:



The company has identified 53 different processes that could potentially have an impact on the process of generating financial information within the company. As a whole, there are over 400 control activities tagged as key that undergo continuous oversight by the group's internal audit team.

Similarly, the company's internal control system is subject to assessment by the external auditors, who issue an audit opinion under PCAOB (Public Company Accounting Oversight Board) standards, which are applicable to listed companies in the United States (SEC registrants).

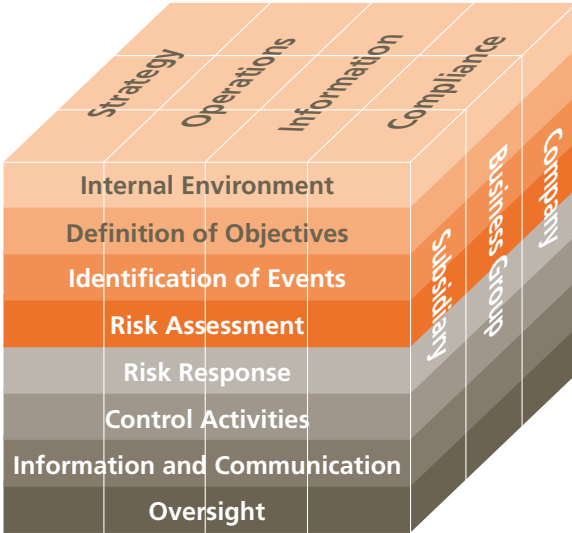
Our Internal Control Model

Abengoa believes that an appropriate internal control system must ensure that all relevant financial information is reliable and known to the management. We therefore believe that the model developed in line with SOX requirements complements and forms part of our Common Management Systems, the main purpose of which is to control and mitigate business risks.

Oversight and Control of the Risk Management Model

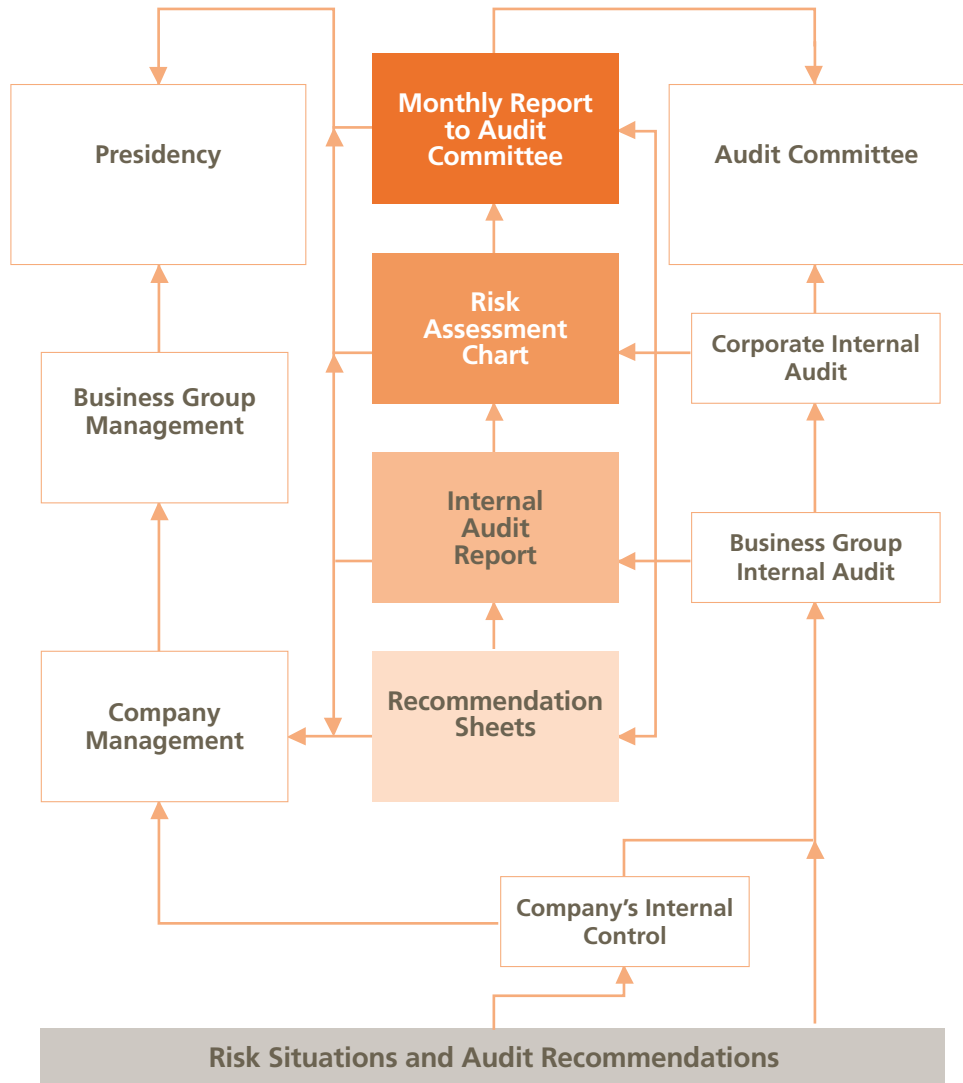
Abengoa’s oversight and control of the risk management model is structured around the Joint Audit Services. These bring together the audit teams of the companies, business groups and corporate services, which coordinate their actions and are ultimately accountable to the Audit Committee of the Board of Directors.

Our chosen conceptual reference framework is the COSO model, because it is most similar to the approach required under SOX. Under this model, internal control is defined as the process carried out in order to provide a reasonable degree of security in relation to the attainment of objectives, such as compliance with laws and regulations, reliability of financial information and operational effectiveness and efficiency.



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

Flujo de Información



Internal Control Environment in Information Systems

Abengoa's information systems are intended to support the company's own general control environment. Management of Abengoa information systems is based on the various reference frameworks described below.

Common Management Systems: IT Resource Management

The Common Management Systems contain internal regulations regarding IT Resource Management. These rules are intended to fulfill four objectives:

- 1/ To report on the main characteristics of the corporate information systems
- 2/ To standardize, through the definition of technological norms, the necessary features of the hardware and software utilized at Abengoa, and to define the operational procedure to be followed in order to obtain them
- 3/ To standardize and ensure appropriate service levels for Abengoa's IT systems and communications, and to increase the availability, performance, security and development of the underlying technological infrastructures
- 4/ To heighten security (understood in terms of confidentiality, integrity and availability) of the technological infrastructures involved, as well as their performance and efficiency

Information Systems

In relation to internal control of the Information Systems, the most relevant aspects are the automatic control activities and the Information System Management process, all of which have been reinforced as a product of SOX implementation.

The automatic control activities are control mechanisms belonging to the numerous applications that make up Abengoa's Information Systems. They minimize and prevent errors in data entry, approvals, etc. The automatic controls help to ensure the integrity and reliability of our financial information.

The Computer System Management process centers on more specific aspects of the information systems. Based on management frameworks and best market practices, such as Cobit and ITIL (Information Technology Infrastructure Library), it meets the control requirements stipulated under SOX regarding program development, program modification, operations within computer environments and system and data access.

The process involves a combination of manual and automatic activities throughout all Systems areas, including project management and control, development, support, incident management, supplier and client management, physical security, logical security and business continuity.

Information Security Management System (ISMS)

With the aim of managing security measures for Abengoa's communications and corporate information systems, the company has an Information Security Management System (ISMS), which acts as a tool enabling us to fulfill our security-related objectives, with security understood to include:

- Confidentiality: Only authorized individuals may access the information.
- Integrity: The information and its processing methods are accurate and complete.
- Availability: Authorized users have access to information whenever they need it.

This system, which is certified under ISO 27001 criteria, encompasses a policy on security, risk analysis and security controls in the following areas:

- Administrative (security policy, classification of assets, security in relations with third parties, security aspects relating to human resources).
- Technical (physical security, security in operations and communications, access control; software development, acquisition and maintenance).
- Operational (incident management, continuity management).
- Regulatory (compliance with applicable regulations and law).
- Continuous cycle of improvement to integrate security into the work-related duties of all employees.

The management reviews the ISMS annually and fresh risk analyses are conducted in tandem to take on board possible changes to the IT environment and new threats to the information systems.

The ISMS continuous improvement cycle makes use of corporate mechanisms of preventive and corrective action, thus entrenching the system even further into the business.

Control applications: Separation of Duties Application (SDA)

In addition to the previously described management framework, Abengoa has a raft of applications in place to support this control environment, noteworthy among which is the Separation of Duties Application (SDA).

This system pursues the following objectives:

- To ensure that system access is limited to authorized individuals only.
- To provide a framework for defining any incompatible duties in processes that have an impact on the generation of financial information.
- To establish a secure framework for granting access to systems, ensuring that there is due separation of duties in the tasks performed by each user.

The system thus ensures that when assigning an individual to a workstation, he or she will not perform duties that are mutually incompatible. In other words, SDA provides an efficient and effective system for managing users and company access.

Integrity and Compliance

Each of the company's activities are performed in accordance with its model of sustainable development, which attempts to strike a happy balance that maximizes the benefits for everyone while observing applicable law and upholding the strictest levels of integrity and transparency. Corporate social responsibility at Abengoa therefore forms part of its business strategy and its daily operations.

In keeping with Abengoa's unwavering commitment to management transparency, integrity and good governance, all of which underpin relations with its stakeholders, and following on from the approach initiated in 2008, an Independent Panel of Experts in Sustainable Development (IPESD) will conduct an assessment of the company and draw up a raft of conclusions, which Abengoa will publish in this report.

For further information please consult the Report on the Conclusions of the IPESD

Transparency and the fight against corruption

In 2007, the 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.

This text is intended to foster and bolster measures to prevent and combat corruption more effectively, while encouraging, facilitating and supporting international cooperation and technical assistance in preventing and fighting against corruption, including the recovery of assets, and promoting integrity, the obligation to render accounts and proper management of public affairs and assets.

Over the course of 2009, the Internal Audit Department issued over five hundred audit reports, which included, among other aspects, the results of the audits and analyses of the risks associated with corruption in those companies classified as material. The company also conducted fifty legal audits to complement the audit reports, the aim being to unearth situations that could be classified as corrupt.

Furthermore, and as a practical step, Abengoa inserted a mandatory and binding clause in its agency and services intermediation agreements or contracts, whereby collaborators undertake in writing not to engage in unlawful practices or those that could be considered corrupt, abusive or biased.



2009 did see more than 120 training courses in the company's Common Management Systems, which taught participants specific procedures for managing risks associated with corruption and for implementing anti-corruption policies within the companies.

The company has an IT application based on these Common Management Systems that can be consulted by all users at any time to broaden their awareness of the company's anti-corruption policies and procedures.

Likewise, Abengoa's Code of Professional Conduct is available for consultation via the company's Intranet (Connect@), to which all employees have access, and also via the company's website. All changes made to the code are duly communicated throughout the entire organization without exceptions and without delay.

Abengoa's information channels show no record in 2009 of any corruption-related incidents within the company.

In 2009 there aren't fines significant sanctions for noncompliance with laws and regulations.

Abengoa Values

Abengoa's model of corporate social responsibility is also rooted in a raft of values that nowadays constitute the foundations of its Code of Ethics and form part of its business culture. By harnessing all available channels, the company fosters awareness and the application of these values and implements control and review mechanisms that ensure they are correctly monitored and updated.

Of these values, the following are worthy of particular note due to their importance:

- **Integrity:** Honesty in professional conduct is a hallmark of Abengoa's identity and is evident in all the actions of its personnel, both within and outside the company. Integrity is a core value of our employees and the company as a whole in dealings with customers, suppliers, shareholders, the communities in which we operate and society in general.
- **Legality:** Compliance with the law is not only an external requirement and, therefore, a binding obligation on the company, but also encompasses respect for the law, which provides our actions with added security and cushions business risks.
- **Professional rigor:** The concept of professionalism at Abengoa is closely linked to our desire to provide high levels of service when engaging in business and to become thoroughly involved in the business project at hand. All of our actions must adhere to the notion of professional responsibility and are governed by the principles set forth in the Common Management Systems.
- **Confidentiality:** Abengoa expects its employees to exercise discretion and prudence in their communications and relations with third parties, the aim being to safeguard the information to which the company has access.
- **Quality:** Abengoa is unflinchingly committed to quality in all of its internal and external endeavors. Far from being a task exclusive to the management or a specific group of people, this commitment governs the daily activities of all members of the company. Abengoa incorporates specific rules on quality, which are the product of its knowledge, common sense, rigor, order and responsibility in conducting business.

Abengoa Code of Conduct

The honesty, integrity and sound judgment of employees, executives and directors is essential to the company's reputation and success. The Code of Conduct governs the working relationships within the company between its employees and stakeholders.

Abengoa's Code of Conduct is published on the company's website www.abengoa.com and can be consulted at any time.

⊕ http://www.abengoa.es/corp/web/es/responsabilidad_social/ciudadanos_globales/codigo_de_conducta/index.html