

Report on the Remuneration Policy of the Board of Directors of Befesa Medio Ambiente, S.A.

1. Introduction

This report is prepared in accordance with Article 27 of the Regulations of the Board of Directors and Article 3 of the Appointments and Remuneration Committee.

It includes the remuneration policy of the members of the Board of Directors of Befesa Medio Ambiente, S.A., setting the remuneration of the executive directors separately, who hold senior management positions at the Company and are covered by the Company's general remuneration policy applicable to all employees, from the non-executive directors.

2. The Appointments and Remuneration Committee. Background

The Appointments and Remuneration Committee was created by resolution of the Board of Directors in its meeting of 24 April 2003, with the name Appointments and Remuneration Committee. The Board also approved the internal regulations for the committee.

The Regulations of the Committee were amended on 28 February 2005 in order to substitute the annual rotational nature of its chairmanship with the same statutory appointment period for directors (four years) and, more recently, on 18 December 2007, the Board of Directors amended the regulations to adapt them to the recommendations established in the Unified Code of Good Governance, approved by the Board of the Spanish Securities Market Commission (CNMV) of 22 May 2006.

The Committee supports the Board in issues relating to the appointment of directors and on issues of remuneration, and it ensures that the remuneration policy established by the Company is adhered to.

Composition

The composition of the Appointments and Remuneration Committee as at 31 December 2008 was the following:

Mr Rafael Escuredo Rodríguez	Chairman	Independent, non-executive director
Mr Manuel Blanco Losada	Member	Independent, non-executive director

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Mr Jorge Guarner Muñoz	Member	Independent, non-executive director
Mr Juan Albizu Etxebarria	Secretary, non-director	--

In accordance with Article 2 of the Committee's internal regulations, due to the expiry of the term of Mr Jorge Guarner Muñoz as Chairman, the Board of Directors at its meeting of 15 April 2010 agreed, at the proposal of the Committee, to appoint Rafael García Escuredo as the new chairman for the statutory four year period.

As a result, the Appointments and Remuneration Committee is currently comprised of three independent, non-executive directors, which complies with the requirements under the Financial System Reform Act (*Ley de Reforma del Sistema Financiero*). The position of Chairman of the Committee must be held by a non-executive director.

Responsibilities and duties

The responsibilities of the Appointments and Remuneration Committee are established in Article 27 of the Regulations of the Board of Directors and in Article 3 of the Regulation of this Committee.

The basic responsibilities and duties of the Committee are the following, in accordance with this internal regulation:

- A. Appointment and removal of directors and designation of roles on the Board of Directors and its Committees. Especially,
 - (i) to notify the Board of Directors about the proposals to be made to the General Shareholders' Meeting regarding appointments, re-elections and removals from the Board, including in the event that the Board of Directors co-opts other individuals, as well as proposals relating to the Secretary of the Board;
 - (ii) to propose the appointments, re-elections and removals of independent directors, to the Board, including cases of co-optation;
 - (iii) to evaluate the skills, knowledge and experience required by the Board; to define the abilities and functions required by candidates to cover vacancies; and to assess the time and dedication required by Board members to fully carry out their duties.
- B. Succession of the Chairman

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The Committee is responsible for examining and organising the succession of the Chairman and the CEO.

C. Senior Management of the Company.

The Committee is responsible for notifying the appointments and removals of senior managers proposed by the CEO to the Board.

D. Remuneration.

a) The Appointments and Remuneration Committee, proposes to the Board

(i) The remuneration policy for directors and senior managers;

(ii) The individual remuneration of directors and the approval of the contracts that the company signs with each executive director;

(iii) The basic conditions of the contracts for senior managers.

b) The Committee ensures that the remuneration policy established by the Company is followed.

E. Annual verification of directors' character

The Committee verifies the character of the directors on an annual basis, reporting its findings to the Board and which are published in the Annual Corporate Governance Report.

F. Preparation of reports

The Committee is responsible for drafting an annual report on its activities, as well as an annual report on the remuneration policy of the directors of the Company.

Organisation and functioning.

To carry out its duties, the Appointments and Remuneration Committee will meet when necessary and at least once every six months.

It shall be considered as validly constituted when the majority of its members are present. Attendance may only be delegated to another non-executive director.

The resolutions adopted shall be valid when the majority of the Committee's members, present or represented, vote in favour. In the event of a tie, the Chairman shall have the casting vote.

3. Basic principles of the remuneration policy for Company directors

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On the basis that the achievement of objectives largely depends on the work capacity, quality, business knowledge, dedication and experience of the people that hold the positions of responsibility of the Company, and taking into account the reciprocal generation of value for these people and the Company, in line with shareholders' interests, the remuneration policy of Befesa Medio Ambiente, takes into account the following basic principles:

- (i) Compensate the level of responsibility and the achievement of results.
- (ii) Attract and retain the most outstanding professionals.
- (iii) Monitor external competitiveness.
- (iv) Carry out a reference analysis using reputable companies in the human resources consultancy sector.

4. Structure of directors' remuneration

The Company's remuneration system applies to all employees, based on each job position and its inherent responsibilities. The individual characteristics of the roles of the Board of Directors are taken into account.

The Company's remuneration policy for members of the Board of Directors therefore differentiates between the remuneration system for executive directors and non-executive directors.

A. Remuneration for the position of director

In accordance with Article 17 of the Company's bylaws, the position of director is paid, without differentiating between executive and non-executive directors. Directors are paid a fixed amount agreed by the General Shareholder's Meeting in addition to other payments allowed under prevailing legislation, such as remuneration systems based on the provision of shares in the company and/or stock options, which will also be agreed by the General Shareholder's Meeting under the terms permitted by law. Each director's remuneration may differ. Independent of this remuneration, travel expenses for actions that are the responsibility of the Board are also paid.

B. Remuneration policy applicable to executive directors

The remuneration policy for executive directors corresponds to the general remuneration policy of the company, applicable to employees that hold duties with a high level of responsibility.

Befesa Medio Ambiente has a remuneration system that allows for the highest degree of incentivisation possible and fairly reflects the activity carried out by each employee at any given time.

This remuneration policy is structured around the following concepts:

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(a) Fixed remuneration

The amount is set in line with market comparables, and reflects the leadership position to which the company aspires. Market studies from external consultants are taken into account in its calculation.

Fixed remuneration comprises the following concepts:

- 1) Salary level. Defined as the basic fixed salary received on a monthly basis, corresponding to each category and level.
- 2) Extra responsibility payment. This is a supplementary amount freely set by the company's management, paid monthly and therefore based on, linked to and conditional upon performance of a specific function or responsibility.

(b) Annual variable remuneration (bonus)

The annual variable remuneration or bonus of executive directors is primarily linked to meeting objectives. These objectives are linked to the Company's gross revenues/EBITDA for certain directors or to profit after tax for others. The range of the variable remuneration of the executive directors is set at the beginning of each year based on these criteria.

The fixed remuneration is therefore comprised of the sum of the amounts corresponding to the salary level and the extra responsibility payment payable monthly.

The variable remuneration corresponds to the annual bonus and is paid in a single payment.

(c) Retention plans

The remuneration policy of Befesa Medio Ambiente also contains two retention or seniority plans for managers, also applicable to executive directors.

(i) Share acquisition plan in the parent company Abengoa, S.A.

This is based on meeting Befesa's objectives and linked to the company's strategic plan.

The duration of the plan is five (5) years, beginning in 2006 and ending in 2010. It is paid in the first half of 2011 through the sale of shares.

Each individual must meet the annual targets set in order to receive the annual bonus as well as remaining in the company for the duration of the plan.

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- (ii) Plan Dos. This consists of an extraordinary variable remuneration.

This plan is based on recognition by the company of certain managers (beneficiaries) through a specific or calculable and extraordinary payment.

Its accrual depends on the personal achievement of the objectives set in the Befesa Medio Ambiente strategic plan.

The plan is cumulative, in addition to any other variable remuneration accrued or to be accrued by the beneficiary and is not exclusive.

The remuneration is accrued and consolidated at the end of a five year period (5 years), commencing in 2007 and ending in 2011. It is paid in the first half of 2012 upon verification of completion of the personal objectives by the corresponding audit report.

2) Remuneration policy applicable to non-executive directors

The remuneration system corresponding to non-executive directors is based on remuneration for attendance of the meetings of the Board and the Committees (Audit and/or Appointments and Remuneration).

The expenses paid for attendance approved by the corresponding corporate bodies, applicable to each meeting of the Board of Directors and its Committees is €3,500.

In 2008 the Board of Directors and its committees met with the following frequency:

Board of Directors	11
Audit Committee	7
Appointments and Remuneration Committee	3

5. Total remuneration of the Board in 2009 and future policy

The remuneration policy established by the Company for members of the Board of Directors corresponds to the resolutions adopted by the corresponding corporate bodies and is applicable to 2009.

The total remuneration of the directors in 2009 was the following:

(Figures in € thousands)

Name	Expense s for attendan ce and	Remun eration as memb	Remuner ation received as a	Remunerat ion for senior managem	Totals

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	other paid expense s as director	er of Commi ttee	director of other compani es in the Group	ent duties (Exec. directors)	
Mr Javier Molina Montes	10,96	-	-	651,37	662,33
Mr Manuel Barrenechea Guimón	10,96	-	-	-	10,96
Mr Manuel Blanco Losada	37,00	44,00	-	-	81,00
Mr Rafael Escuredo Rodríguez	37,00	44,00	-	-	81,00
Mr Jorge Guarner Muñoz	37,00	12,00	-	-	49,00
Ms. María José Rivero Menéndez	37,00	32,00	-	-	69,00
Ms. Mercedes Sundheim Losada	37,00	-	-	-	37,00
Mr Salvador Martos Hinojosa	10,96	-	-	-	10,96
Mr Antonio Marín Hita	8,22	-	-	107,96	116,18
Total	226,10	132,00	-	759,33	1.117,43

The Appointments and Remuneration Committee periodically reviews the remuneration policy of the Board of Directors, during the course of its duties, proposing the policies that is considers appropriate to the Board in relation to concepts and amounts.

6. Reference and Fundamental Parameters of the Annual Variable Remuneration Systems (bonus)

The criteria for determining the variable remuneration of executive directors in 2011 will be based on the following parameters:

- Market references based on the information provided by reputable external consultants in relation to remuneration.
- In terms of the specific calculation of the annual variable remuneration, the essential reference will be the evolution in income after tax and gross revenues/EBITDA, either of the Group in general, or in the case of executive directors with specific responsibilities, weighted for their area of responsibility.
- In addition to this basic quantitative element, at the end of the year, other quantitative elements will be taken into account, which may vary from one year to another, and that allow the decision on the real amount of variable remuneration at that time to be adjusted.

7. Approval of this report

This report has been approved by the Board of Directors of Befesa Medio Ambiente, S.A. at its meeting of 23 February 2011, at the proposal of the Appointments and Remuneration Committee.