

**Regulations governing the Board of Directors  
of Befesa Medio Ambiente, S.A.**

**These regulations governing the Board of Directors of Befesa Medio Ambiente, S.A., adopted by resolution of the Board of Directors at its meeting on 13 December 2001, have been modified by agreement of the Board of Directors on 24 April 2003 and subsequently modified by agreement of the Board of Directors of 18 December 2007; and by agreement of the Board of Directors of 29 July 2010, effective as of 22 December 2010.**

Articles 6, 7, 13, 15, 25, 26 and 27, by agreement of the Board of Directors on 24 April 2003.

Including Articles 4.6, 4.7, 8.6 and 19.3; modifying Articles 26 and 27, by agreement of the Board of Directors of 18 December 2007.

Modifying Articles 4, 5 and 26, by agreement of the Board of Directors of 29 July 2010, effective as of 22 December 2010. The complete text incorporates all the modifications as at this date.

**Chapter I**  
**General provisions.**

**Article 1. Purpose and scope of the regulations.**

1. The purpose of these regulations is to govern the Board of Directors of Befesa Medio Ambiente, S.A., establishing the principles of its organization and functioning, as well as the regulations that govern its legal and statutory activity. The Board of Directors shall adopt the measures that it deems appropriate to ensure the broadest possible dissemination of these regulations among shareholders and public investors.
2. Members of the Board of Directors, as well as the Company's senior managers, when affected, are obliged to know these regulations, to abide by them, and to ensure they are abided by.

**Article 2. Interpretation and amendments.**

1. These regulations complement the standards that are applicable to the Board of Directors established in current corporate law and in the Company's bylaws. The Board of Directors is responsible for resolving any questions that might arise in connection with the application of these regulations in accordance with the general interpretation criteria of the law, and the spirit and purpose of the Company's bylaws.

2. These regulations shall come into force on the date of their approval. The Board of Directors may amend their content, in accordance with the requirements set out in the following paragraph, adapting them to the best interests of the Company at all times.
3. The Chairman of the Board of Directors, or three or more Directors, may propose such amendments to the Board of Directors when, in their opinion, the circumstances make it appropriate or necessary. In this case, the proposal shall be accompanied by a memorandum justifying the reasons and scope of the proposed amendment. A meeting of the Board of Directors shall be called by individually notifying each member at least ten 10 days prior to the meeting date. In order for the amendment to the regulations to be valid the resolution must be adopted by half plus one of the members of the Board of Directors.

**Chapter II**  
**Organization Structure, Functional Nature and Code of Conduct**  
**of the Board of Directors.**

**Article 3. Composition of the Board of Directors.**

In accordance with the provisions of Article 39 of the Company's bylaws, the Board of Directors shall, at its discretion, propose the number of directors it considers necessary in the interests of the Company, to the General Shareholders' Meeting. The number of directors shall be decided by the General Shareholders' Meeting.

**Article 4. Duties and powers of the Board of Directors.**

1. In accordance with Article 17 of the Company's bylaws, the Board of Directors is responsible for the management, administration and representation of the Company, and shall act collegiately, without prejudice to the delegations and powers of attorney that it may confer, possessing to this end the broadest powers (Article 21 of the Company's bylaws) to administer, manage and represent the Company, in and out of court, and in all the activities included in the Company's corporate purpose.
2. The Board of Directors is responsible for carrying out all the activities required to achieve the corporate purpose established in the bylaws. In particular, it shall be responsible for determining the Company's economic objectives and agreeing, upon proposal by senior management, the appropriate measures to achieve it; ensuring the future viability of the Company and its competitiveness, as well as the existence of suitable management and leadership, with the Company's business activities expressly subject to its control; approving the codes of conduct established by the Company, and exercising the powers established in these regulations.
3. The Board of Directors is accountable to the General Shareholders' Meeting with regards fulfilment of its management and representation duties. The delegation of powers to one or several members of the Board shall not release it from the

responsibilities conferred on it by the Spanish Public Limited Companies Act and the bylaws. The powers and authorities of the Board shall be exercised independently of other Company bodies.

4. The Board of Directors is empowered, in general, within the legal and statutory limits or those established in these regulations, to appoint directors in the event of vacancies until the General Shareholders' Meeting is held; to accept the resignation of directors; to appoint and relieve the Chairman, Vice-chairman and Secretary of the Board of Directors; to delegate powers to any of its members, under the terms established by law and the bylaws, and to revoke them; to prepare the annual accounts and submit them to the General Shareholders' Meeting; to submit the reports and draft resolutions it is required to produce for the information and approval, if appropriate, of the General Shareholders' Meeting, in accordance with law and the bylaws; to prepare its organizational and functional structure, as well as that of the Company's senior management and, in particular, to make amendments to these regulations; to exercise the powers that the General Shareholders' Meeting has granted to the Board of Directors – which it may only delegate if expressly authorized to do so by agreement of the General Shareholders' Meeting – as well as any other powers granted in these regulations.

There are no substantial limitations on the general management competencies of the Board of Directors other than those established by the corporate purpose.

5. The Board of Directors holds the powers of representation of the Company under the established legal terms and bylaws. The delegation of said power of representation to one or several directors requires the latter to inform the Board of all the activities carried out while executing this power and which go beyond the ordinary administration of the Company.
6. The Board will carry out its functions with a unity of purpose and independent criteria, guided by the interests of the Company, in order to continuously maximise the financial value of the Company. The Board will ensure that the Company respects all laws and regulations in its relations with stakeholders; fulfils its obligations and contracts in good faith; respects the uses and good practices of the sectors and territories in which it operates; and observes those additional principles of social responsibility that it would have accepted voluntarily.
7. The principal objective of the Board shall be to approve the Company's strategy and the specific organisational required for its operation, as well as to supervise and control the Company's management in achieving the objectives set and fulfilling the Company's social objectives and interests.

The plenary sessions of the Board shall therefore approve:

a) The Company's policies and general strategies, in particular:

- i) The strategic or business plan, as well as the management objectives and annual budgets;
- ii) The investment and financing policy;
- iii) The definition of the corporate group structure;

- iv) The corporate governance policy;
  - v) The corporate social responsibility policy;
  - vi) The remuneration policy and the performance evaluations of senior management;
  - vii) The risk control and management policy, as well as the regular monitoring of internal information and control systems;
  - viii) The dividend and treasury stock policy and in particular its limits.
- b) The following operational decisions:
- i) The appointment and removal of senior management, as well as their compensation clauses, as proposed by the Company's CEO. For the purposes of this regulation, "senior management" shall refer to those managers that report directly to the CEO and in all cases, the internal auditor.
  - ii) Directors' remuneration as well as any additional remuneration for executive responsibilities, in the case of executives, and approval of their contracts.
  - iii) The financial information that the Company must periodically publish, as a listed company.
  - iv) Strategic investments or operations of any type due to their significant value or special characteristics, except for those that relate to the General Shareholders' Meeting.
  - v) The decision to (1) reject business opportunities, and/or (2) accept or reject sales offers of businesses or divisions that are dedicated to environmental activities belonging to companies that Abengoa, S.A. could eventually acquire, which in both cases will be communicated to the Company by Abengoa, S.A. in accordance with the Protocol governing related transactions and activities agreed between Abengoa, S.A. and the Company (the "Protocol")
  - vi) The creation or acquisition of shareholdings in special purpose vehicles or those registered in countries or territories considered as tax havens, as well as any other similar transactions or operations that, due to their complexity, could reduce the transparency of the Group.
  - vii) The selection procedures to fill new vacancies on the Board of Directors.
  - viii) The procedures that allow employees to communicate anomalies or irregularities detected in the Company.
- c) Operations that the Company may carry out with directors, significant shareholders or representatives of the Board, or with any person related to them ("related transactions"). The Board's authorisation shall not be required however, for related transactions that simultaneously fulfil the following three conditions:

1. Transactions carried out under agreements with standard conditions and that apply to multiple clients;
2. Operations carried out at market rates or prices, which in general, are set by the supplier of the goods or service;
3. Operations whose quantity is not significant to the Company (less than 2% of the Company's annual revenues).

The approval of these related transactions shall require a prior favourable report from the Audit Committee. In addition to not exercising or delegating their right to vote, the affected directors (whether for personal reasons, or due to representing Abengoa, S.A., or due to sitting on the administrative bodies of another company in the Abengoa, S.A. group that is party to the transaction in question) shall leave the meeting room while the Board deliberates and votes on the matter.

#### **Article 5. Position of the Board of Directors in the Company's organizational framework.**

1. In its dealings with shareholders, the Board of Directors shall apply the principle of equal treatment; it shall create suitable mechanisms to enable the receiving of proposals made by shareholders in relation to corporate management; organize informative meetings on the situation of the Company and provide the channels required to exchange information with groups of shareholders.
2. In the event that Befesa's Board of Directors has to take a corporate decision that entails a conflict with the interests of Abengoa and its group of companies, the members of Befesa's Board of Directors that have been appointed at Abengoa's request shall abstain from participating in any way in the corporate decision in question, in order to ensure that the objectivity and independence of the decisions taken by Befesa's Board are not potentially affected or influenced by external interests to Befesa. This rule shall also apply to any member of Befesa's Board of Directors that forms part of the administrative bodies of any Abengoa company, with regard to decisions that may involve a conflict with the interests of that company.

The obligation to abstain mentioned in the above paragraph affects both participation in discussions as well as participation in voting, whether it arises at a personal level or due to positions of representation.

3. In the case of institutional shareholders, the Board of Directors shall establish mechanisms for regularly exchanging information on subjects such as investment strategy, evaluation of results, composition of the Board of Directors and management efficiency, ensuring that such information does not, under any circumstances, put recipients in a privileged situation or attribute them special advantages over other shareholders.

4. The Board of Directors shall take the measures it deems appropriate to ensure that the General Shareholders' Meeting performs its corresponding functions. To this end, it shall provide Shareholders with all legally required information prior to the General Shareholders' Meeting, or with any other useful information which can be reasonably supplied. Likewise, due consideration shall be given to requests for information and the questions put forward by shareholders prior to the General Shareholders' Meeting or during the course thereof.

**Article 6. Specific functions in relation to the Annual Accounts and the Management Report.**

1. The integrity and accuracy of the Annual Accounts submitted to the Board of Directors for preparation shall be certified beforehand by the Chairman of the Board of Directors and the Manager of the Corporate Consolidation and Audit Department, in terms of their integrity and accuracy.
2. Once the Board has received the corresponding reports and the pertinent clarifications, the Board of Directors shall prepare the Annual Accounts and the Management Report in a clear and easily understandable form. The Board of Directors shall make every effort to ensure that they provide a true and fair view of the state of the company's assets, the financial situation and the Company's results, as required by Law.
3. Each member of the Board of Directors shall make a statement, which shall be recorded in the minutes, that prior to signing the Annual Accounts prepared as required by Law, they have had the necessary information. They may also register, if appropriate, any reservations they may have had in this respect.

**Article 7. Specific duties related to the stock exchange and corporate governance.**

1. Related to the Stock Exchange.

The Board of Directors shall adopt and carry out all such actions and measures as it deems fit to ensure the transparency of the Company vis-à-vis financial markets, to promote proper Company share price formation, to supervise the periodic dissemination of public financial information and to perform such duties as are assigned to it by virtue of the Company's status as a listed company.

2. Related to Corporate Governance.

- (i) The Board of Directors is the body responsible for preparing and implementing the internal regulations related to corporate governance, including the Regulations governing the Board of Directors, the Internal Code of Conduct Governing the Stock Market and, if appropriate, the Regulations governing the Board of Directors' Commissions or Committees and the Regulations governing the General Shareholders' Meeting.

- (ii) The Board of Directors is also the body responsible for preparing and approving in advance the annual corporate governance report of Befesa Medio Ambiente,

S.A., which shall be presented at each General Shareholders' Meeting. This report shall also be registered with the Spanish Securities Market Commission (CNMV) and shall be disseminated through the appropriate channels, including the Company's website.

- (iii) The Board of Directors shall ensure full and proper publication of Company information through the relevant departments, including but not limited to notices of General Shareholders' Meetings, their agenda and the content of the proposed resolutions, significant events, resolutions adopted by the last General Shareholders' Meeting, internal corporate governance regulations and the Annual Report. Every effort shall be made to ensure the unrestricted and timely dissemination of such information through the appropriate channels, including the Company's website.

### **Article 8. Notice and location of meetings.**

1. In accordance with Article 20 of the Company's bylaws, the Board of Directors shall meet whenever the interests of the Company so require, as well as within the first three months of each year to approve the previous year's accounts, the management report and the proposal for the application of the result. It shall also meet whenever a General Shareholders' Meeting must be called.
2. The Board of Directors shall meet at least five times a year. Ordinary sessions of the Board shall address general questions related to the day-to-day running of the Company, the financial results, the balance sheet, the cash flow situation and comparison with approved budgets, the matters referred to in Article 4, if appropriate, and in all cases, the items included on the agenda drawn up in accordance with the terms established in these regulations. At these periodic meetings, the Board of Directors shall receive updated information about the most significant operational achievements and problems, as well as about foreseeable situations that may turn out to be critical to the company's affairs and the actions that senior management proposes to deal with them.
3. The notice of a Board of Directors' Meeting shall be given in writing to each director at least ten days prior to the date indicated for the meeting, and shall include the agenda for the meeting. A copy of the minutes of the previous meeting, whether approved or not, shall be attached.

The Board of Directors may validly hold a meeting without prior notice provided that all directors are present or represented and unanimously agree to hold a Board meeting.

On the grounds of urgency, a meeting of the Board of Directors may be called without the minimum notice being given, in which case, the emergency must be unanimously acknowledged by all those in attendance at the start of the meeting.

4. Meetings of the Board of Directors shall be held at the Company's registered office, or anywhere else the Chairman decides and which is indicated in the notice of the meeting.

The Chairman may convene a meeting of the Board whenever he deems appropriate. A meeting shall be obligatory when at least one third of the active directors request one. The Chairman shall be responsible for establishing the agenda of a meeting, although any of the directors may, prior to the meeting, request the inclusion on the agenda of any item that he/she considers should be dealt with by the Board.

5. Resolutions may also be adopted without a meeting being held. A written vote without a meeting being held shall only be permissible when no director opposes this procedure and when all the requirements established in the Regulations of the Mercantile Register are observed.
6. When the Chairman of the Board is also the CEO of the Company, an independent director shall be authorised to coordinate and represent the concerns of the external directors, with the authority to call a meeting of the Board or to include new points on the agenda, and he/she shall be responsible for the evaluation process of the Chairman.

#### **Article 9. Constitution, representation and adoption of resolutions.**

1. The valid constitution of the Board of Directors requires the attendance, present or represented, of half plus one of the directors, except when a meeting takes place that has not been called with prior notice, which shall require the attendance of all its members.
2. Directors may only be represented by another director. There is no restriction on the number of proxies any one director may hold for a specific meeting. The proxies of the absent directors may be granted in any written format, and telegrams, telexes or faxes addressed to the Chairman shall all be valid.
3. Resolutions shall be carried by a majority vote of the Directors present at the meeting, in person or by proxy.

### **Chapter III** **Legal Status of Directors**

#### **Article 10. Appointment of directors.**

The General Shareholders' Meeting, or where appropriate, the Board of Directors exercising the powers legally conferred on it of co-optation, shall be responsible for appointing the members of the Board of Directors in accordance with company law and the Company's bylaws.

Appointments must comply with the requirements of the law and the company's bylaws and may relate to people of recognised solvency that possess the knowledge, standing and professional experience required to fulfil the corresponding duties.

### **Article 11. Term of office and co-optation.**

Directors shall hold office for a maximum of four years. Directors may be appointed to one or more four-year terms. Directors appointed by co-optation shall remain in office until the next General Shareholders' Meeting.

### **Article 12. Vacation of office.**

1. Directors shall vacate their office when the term for which they were appointed has expired and for any other reason pursuant to the law, the bylaws and these regulations.
2. Directors must vacate their office, submitting their resignation to the Board of Directors in the following cases, should the Board deem it necessary:
  - a) When a director becomes disqualified on the grounds of incompatibility of office or becomes prohibited by law from being a director.
  - b) When they are heavily sanctioned by a public authority for having failed to comply with their obligations as directors.
  - c) When the Board itself requests it, having failed to comply with their obligations as directors.
3. Once a director's term is over or he/she has been removed from office, for any other reason, he/she shall not be able to hold any office in a rival company for two years, unless the Board of Directors exempts him/her from such an obligation or shortens this period.

### **Article 13. Directors' duties: general rules.**

1. It is the duty of the directors to manage and control the Company in such a way as to maximize its value for shareholders. In performing their duties, the directors shall exercise good business judgment and due loyalty. Their actions shall be dictated solely by the interests of the Company, which they shall interpret in a wholly independent manner, making every effort to safeguard and protect the interests of the shareholders, to whom they owe their mandate and are accountable.
2. By virtue of their office, directors are required to:
  - a) Prepare thoroughly and gather all the relevant information for meetings of the Board of Directors' or of any delegated bodies to which they belong;
  - b) Attend meetings and actively participate in deliberations so that their opinions are taken into account, and effectively contribute to the decision-making process. When a director is unable to attend a Board meeting for

some justifiable reason, he/she shall instruct the director he/she appoints as his/her proxy on how to proceed;

- c) Carry out any specific duty assigned to them by the Board of Directors within what can reasonably be considered their scope of commitment and dedication;
- d) Encourage the persons with authority to call a meeting, to call an extraordinary meeting of the Board of Directors or ask them to include the items they consider should be addressed on the agenda of the next meeting;
- e) Avoid conflicts of interest and, in all events, report any potential conflicts to the Board of Directors through the Secretary to the Board of Directors;
- f) Refrain from holding office in rival companies or in companies belonging to the group of a rival company, pursuant to Article 15 of these regulations;
- g) Refrain from using non-public information pertaining to the Company for their own benefit;
- h) Refrain from making improper use of corporate assets and from using their position in the Company for general gain without the corresponding consideration;
- i) Refrain from using business opportunities they become aware of in the course of their work as directors, for their own benefit;
- j) Keep all data and information received while exercising their duties as directors, completely confidential in accordance with Article 14 of these regulations;
- k) Abstain from voting on appointment, removal and remuneration proposals when they are affected by them;
- l) Inform the Board of Directors of any securities or derivatives they hold directly or indirectly in the Company;
- m) Play an active and committed role in the affairs dealt with at Board meetings, as well as in the required follow-up procedure, by gathering the necessary information;
- n) Refrain from making resolutions contrary to the law, the company bylaws or corporate interests, requesting, when appropriate, the corresponding legal or technical reports;
- o) Notify the Company of any significant changes in their professional status, changes that affect the characteristics or conditions that led to their appointment as directors, or those changes that might lead to a conflict of interests;

- p) Notify the Company of any legal or administrative action, or of any other nature, that might seriously affect the Company's reputation due to its significance.
- 3. In compliance with the duty of loyalty, to which they are bound, directors shall not authorize and, should the case arise, shall report any operations carried out by members of their own family or by companies in which they hold an executive office or a significant ownership interest, when they are not subject to the controls and conditions established in these regulations.
- 4. The duty to act as loyal representatives requires directors to inform the Company of any shares, share options or equity derivatives they hold in the Company, either directly or through companies in which they have a significant shareholding, in accordance with the Internal Regulations Governing Conduct in Matters Related to the Stock Exchange.
- 5. Directors affected by appointment, re-election or removal proposals shall abstain from intervening in the debates and voting process in relation to these matters. Voting on such matters shall be by secret ballot.

**Article 14. Directors' duty of confidentiality.**

Directors shall not disclose any confidential information to which they have access in the exercising and discharge of their duties, even after having vacated their office. They shall refrain from using such information for as long as it not public knowledge.

**Article 15. Non- competition.**

Directors shall not hold any office, either directly or through an intermediary, in rival companies or firms of Befesa Medio Ambiente, S.A. and its group of companies, nor shall they provide representation or advisory services to them. They shall consult the Board of Directors prior to accepting any executive office or directorship of any other company or entity.

**Article 16. Use of company information and assets.**

- 1. The use of non-public information about the Company by directors for their own benefit shall only be permitted when it does not prejudice the Company and its Group in any way and when the Company has no exclusive right – or legal position of similar significance – over the information they wish to use, and when the information in question is irrelevant to transactions involving the acquisition or sale of securities in the Company. In all cases, the rules of conduct established in legislation relating to stock exchange matters and the Internal Code of Conduct of Befesa Medio Ambiente, S.A. Governing the Stock Market shall be observed.
- 2. Directors shall not use the Company's assets to take advantage of their position in the Company for their own personal gain without the Company's permission.

### **Article 17. Business opportunities.**

Directors shall not use a business opportunity, that is to say, the possibility of making an investment or a commercial transaction, for their own personal benefit when this business opportunity arises or was identified during the course of their work, using corporate information channels or in circumstances in which it is reasonable to suppose that the offer was intended for the Company, except when the Company has had first right of refusal and rejected it, and the Board of Directors, in plenary session, grants the relevant authorization.

### **Article 18. Right to expert advice and information.**

1. The directors shall have access, through the Chairman of the Board of Directors, to the services of the Company's in-house experts, with the broadest powers to obtain any information and expert advice as they may require in relation to any aspect of the Company, provided that it is in connection with the performance of their duties.
2. Directors may also make a proposal, through the Chairman, to the Board of Directors, by majority, to engage the services of external experts in law, accounting, technical, financial and commercial matters or in any other field to advise them on specific significant and complex problems arising in connection with the performance of their duties, payable by the Company.
3. The Board of Directors may veto the proposal on the grounds that such expert advice is unnecessary for the work to be carried out, that it is excessively costly in proportion to the importance of the matter or to the Company's assets and revenues, or that it can be satisfactorily provided by the Company's own in-house experts and technicians.

### **Article 19. Directors' remuneration.**

1. Directors of Befesa Medio Ambiente, S.A. shall receive remuneration as established by Article 17 of the Company's bylaws. Within each year, when appropriate, the Board of Directors may agree, as often as it sees fit, to make payments on account of the amounts corresponding to each director for his/her services during that period.
2. Directors' remuneration shall be transparent and the Annual Report shall provide information about it, as an integral part of the Annual Accounts.
3. The Board shall include the report on the remuneration policy of directors as a separate point on the agenda of the General Shareholders' Meeting, under the terms of the Unified Code of Good Governance approved by the CNMV on 22 May 2006, or under any other code that may replace it.

The Board shall report on the role carried out by the Appointments and Remuneration Committee in drafting the remuneration policy, and if external advice has been used, the identity of the external consultants that have provided it.

## **Chapter IV** **Legal Statute of the Officers and Legal Adviser**

### **Article 20. The Chairman of the Board of Directors.**

1. In addition to the duties and powers assigned to the Chairman of the Board of Directors under law, the Company's bylaws and these regulations, he/she shall also act as the chief executive officer of the Company and, as such, shall be responsible for the effective management of the Company, in accordance with the decisions and criteria established by the General Shareholders' Meeting and the Board of Directors.
2. The Chairman of the Board of Directors shall also act as chairman of the Company's governing body. He/she shall be responsible for implementing the resolutions adopted by the Board itself, with the broadest powers to represent these bodies on a permanent basis. In an emergency situation, he/she may also take the measures he/she considers appropriate in the interests of the Company.
3. The Chairman of the Board of Directors may fully or partially delegate his/her powers to other members of the Board or to executive officers of the Company, with the exception of those that cannot be delegated by law. He/she must inform the Board of Directors of this decision same at the next meeting, which shall be recorded in the minutes.

### **Article 21. The Vice-chairman.**

1. The Board of Directors may elect one of its members as Vice-chairman to stand in for the Chairman due to delegation, absence or illness and, in general, for any cases, functions or duties as the Board or the Chairman deems appropriate.
2. The senior or, failing that, the eldest Vice-chairman shall stand in for the Chairman when the need arises.

### **Article 22. Secretary to the Board of Directors. Duties and appointment.**

The Secretary to the Board of Directors need not be a director. He/she shall exercise and discharge such powers and duties as assigned to him/her in these regulations and by corporate legislation.

### **Article 23. Vice-secretary.**

The Board of Directors may appoint a Vice-secretary, who need not be a director, to assist the Secretary to the Board of Directors and stand in for him/her in his/her absence to discharge his/her duties. Unless the Board of Directors takes a decision to the contrary, the Vice-secretary may attend the Board Meetings to assist the Secretary in recording the minutes of the meeting.

#### **Article 24. Legal Adviser.**

The Legal Adviser is responsible for ensuring compliance with requirements for notices, quorums and the decision-taking process at meetings of the Board of Directors. In particular, the duties assigned to him/her include providing legal advice on the proceedings at the Board meetings he/she attends. The functions legally assigned to the Legal Adviser as the officer responsible for maintaining the principle of legality in relation to the resolutions, decisions and proceedings of the Board of Directors may be performed by the Secretary to the Board of Directors when he/she is a lawyer.

### **Chapter V.**

#### **Commissions and Committees established by the Board of Directors.**

#### **Article 25. General Provisions.**

The Board of Directors may, at its own discretion or in accordance with legal requirements, establish commissions or committees with delegated duties and appoint the persons to sit on them from among its members. It shall therefore draft the internal rules or regulations that shall govern their functions and scope of application, composition, operation, etc.

Commissions or committees shall be formed by a minimum of three members, with one of them as Chairman.

#### **Article 26. The Audit Committee.**

1. Pursuant to Law 44/2002 on Financial System Reform Measures, the Board of Directors must establish and maintain an Audit Committee.
2. The Audit Committee shall be permanently formed of three directors whose term of office shall be four years. Two of them shall be non-executive directors, maintaining the majority of non-executive directors as established by the aforementioned law.
3. The role of Chairman shall correspond to one of the non-executive directors and shall rotate on a yearly basis between them. At least one year must elapse prior to the re-election of the same director as Chairman.
4. The Secretary to the Board of Directors shall act as Secretary to the Audit Committee.

5. The duties assigned by the Board of Directors to the Audit Committee shall be, at least, the following:
- I. In relation to internal control and the information systems:
- a) Supervise the preparation process and the integrity of the financial information relating to the Company and to the Group, as appropriate, ensuring compliance with regulatory requirements, the appropriate scope of consolidation and the correct application of accounting criteria.
  - b) Report on the annual, half-yearly and quarterly financial statements that should be submitted to regulatory or market supervision entities, including the internal control systems, control over their monitoring and compliance through internal audit, as well as the accounting criteria applied, when applicable.
  - c) Periodically review the internal control and risk management systems so that the principal risks are appropriately identified, managed and reported.
  - d) 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.
  - e) Establish and supervise a mechanism that allows employees to confidentially and anonymously, if appropriate, 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.
  - f) Summon any employee or director of the Company, including appearances without the presence of any other manager.
  - g) The Audit Committee shall inform the Board of the following, prior to the Board adopting the corresponding decisions:
    - (i) The financial information that the Company must periodically publish, as a listed company. The Committee must ensure that the interim accounts are prepared using the same accounting criteria as the annual accounts, and therefore consider the relevance of a partial review by the external auditor.
    - (ii) The creation or acquisition of shareholdings in special purpose vehicles or entities registered in countries or territories considered as tax havens, as well as any other similar transactions or operations that, due to their complexity, could reduce the transparency of the Group.
    - (iii) Related transactions. For transactions within the ordinary course of company business, which are habitual or recurrent in nature, the report

only has to refer to the generic authorisation of the Board of Directors of the line of operations and its terms and conditions.

All transactions that simultaneously comply with the following three conditions shall be exempt from the need to be authorised by the Board of Directors, as well as from the report by the Audit Committee:

1. That they are carried out under agreements with standardised conditions and that apply in a general way to numerous clients;
  2. That they are carried out at established rates or prices, which in general are set by the entity acting as the supplier of the good or service; and
  3. That their quantity does not exceed two per cent (2%) of Befesa's consolidated revenues in accordance with the audited annual accounts from the last year to have been finalised prior to the date of the transaction in question.
- (iv) Information regarding related transactions, which must be included in the six-monthly information and in the company's annual corporate governance report.
- (v) The decision to (1) reject business opportunities, and/or (2) accept or reject sales offers of businesses or divisions that are dedicated to environmental activities belonging to companies that Abengoa, S.A. could eventually acquire, which in both cases will be communicated to the Company by Abengoa, S.A. in accordance with the Protocol signed with Abengoa, S.A.
- h) Supervise compliance with the Internal Code of Conduct Governing the Stock Market and the policy on the Use of Relevant Information and the rules of corporate governance.
- i) Supervise compliance of the Protocol signed with Abengoa, S.A. and periodically report to the Board about this compliance.
- j) Inform the Board in advance about any proposal to modify this Protocol, as well as about possible proposals of transactions aimed at resolving any disagreements that may arise between Abengoa, S.A. and the Company with regards the Protocol.
- k) Make recommendations and formulate proposals to the Board to improve the Protocol, within the framework of its competencies.
- l) Notify the Board of any change in accounting criteria and of the risks on and off the balance sheet.

- m) Report to the General Shareholders' Meeting on questions raised by shareholders in relation to matters of its competence.
- n) Summon the directors that it deems appropriate to the meetings of the Committee to report on the issues that the Audit Committee agrees.
- o) Draft an annual report on the activities of the Audit Committee that must be included in the management report.

II. In relation to the external auditor:

- a) The proposals to select, appoint, re-elect and substitute the external auditor, as well as the conditions of its contract, shall be presented by the Board of Directors to the Shareholders' General Meeting.
- b) Receive information about the audit plan and its results from the external auditor on a regular basis and verify that senior management takes its recommendations into account.
- c) Ensure the independence of the external auditor and therefore:
  - (i) That the Company notifies the CNMV of the change of auditor as a significant event and accompanies this disclosure with a statement about the existence of disputes with the outgoing auditor and the content of such disputes, if they exist;
  - (ii) That it ensures that the Company and the auditor comply with the prevailing regulations on the provision of services, other than audit services, the restrictions on the concentration of business with an auditor and, in general, any other regulations established to ensure auditors' independence;
  - (iii) In the case of the resignation of an external auditor, to examine the circumstances that may have caused it.
- d) Support the Group auditor in taking responsibility for the audits of the companies that comprise it.
- e) Maintain contact with the external auditors in order to receive information about any issues that may prejudice their independence, to be examined by the Audit Committee, and any other matters related to the process of auditing the accounts, as well as any other communications required under accounts auditing legislation and the audit regulations. In all cases, it should receive an annual written confirmation from the external auditors regarding their independence in relation to the Company or companies that are directly or indirectly related to it, as well as information about additional services of any kind provided to these companies by the aforementioned auditor or by persons or entities related to it in accordance with Law 19/1998 of 12 July on the auditing of accounts.

- f) Annually issue, prior to issuance of the accounts audit report, a report expressing an opinion about the independence of the external auditor. In all cases this report must include the details about the provision of additional services referred to in the above section.

### **Article 27. The Appointments and Remuneration Committee.**

The Board of Directors may optionally establish an Appointments and Remuneration Committee.

The Appointments and Remuneration Committee shall be permanently formed by three directors appointed for a maximum term of four years. At least two of them shall be non-executive directors, ensuring a majority of non-executive members.

The position of Chairman shall correspond to one of the non-executive directors and it shall rotate on a yearly basis between them. At least one year must elapse prior to the re-election of the same director as Chairman.

The person within the Company responsible for remuneration matters shall act as Secretary to the Committee.

The Appointments and Remuneration Committee shall establish procedures, which must be approved by the Board of Directors, and ensure that in the event of new vacancies:

- a) The selection procedures do not suffer from any inherent bias that may obstruct the selection of directors;
- b) The Company deliberately seeks and includes women that match the professional profile sought, among the potential candidates.

The minimum responsibilities entrusted to the Appointments and Remuneration Committee by the Board of Directors are:

1. Inform the Board of Directors of all proposals to be made to the General Shareholders' Meeting regarding appointments, re-elections and resignations from the Board and the responsibilities of these positions, including the case of individuals co-opted to the Board of Directors.
2. 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 functions;
3. Examine and organise the succession of the Chairman and CEO and make proposals to the Board, as appropriate, so that any succession occurs in an orderly and well planned way;
4. Inform the Board of any appointments or resignations of senior managers proposed by the CEO.
5. Inform the Board about gender diversity issues.

6. Propose to the Board of Directors:
  - i) The remuneration policy for directors and senior management;
  - 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 contracts for senior management.
7. Ensure that the remuneration policy established by the Company is followed.
8. Consult with the Chairman or CEO of the Company, especially in relation to issues connected to executive directors and senior management.
9. Analyse applications from any director, when taking potential candidates into consideration to cover director vacancies.
10. Verify annually the character of the directors.
11. Draft an annual report on the activities of the Appointments and Remuneration Committee.

(The text of these Regulations end with the above paragraph).

This version of the Regulations Governing the Board of Directors of Befesa Medio Ambiente has been approved by agreement of the meeting of the Board of Directors of 29 July 2010, which came into effect on 22 December 2010.

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