



07

Corporate Governance Report

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Annual Corporate Governance Report

Public Limited Companies

Identification details of the Issuer End of year date: **2008**

Tax ID Code (CIF): A-80689052

Company Name:

**Befesa Medio Ambiente, S.A.
Erandio (Bizkaia), carretera Bilbao a Plencia 21.**

Vizcaya

Public Limited Companies Annual Corporate Governance Report

A Structure of the Company

A.1 Complete the following table regarding the capital structure of the company:

Last modification date	Capital (€)	Number of shares	Number of voting rights
21-06-2001	81,611,571.79	27,113,479	27,113,479

Indicate if there are different share classes with different associated rights:

Yes No

Class	Number of shares	Unit face value	Unit number of voting rights	Other rights
--	--	--	--	--

A.2 Details of direct and indirect significant shareholders in your company as at the end of the year, excluding directors:

Shareholder name	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
Proyectos de Inversiones Medioambientales, S.L.	22,597,338	--	83.344
Abengoa, S.A.	3,805,639	--	14.036

(*) Through:

Name of direct shareholder	Number of direct voting rights	% of total voting rights
--	--	--

Indicate the most significant events in the shareholding structure of the company during the year:

Shareholder name	Transaction date	Transaction description
--	--	--

A.3 Complete the following table about members of the Company's Board of Directors that hold voting rights on shares in the Company:

Director name	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
Mr Javier Molina Montes	27,669	--	0.102
Mr Manuel Blanco Losada	720	--	0.003
Mr Rafael Escuredo Rodriguez	10	--	0.0004

(*) Through:

Name of direct shareholder	Number of direct voting rights	% of total voting rights
--	--	--

% of total voting rights attributable to the Board of Directors	0.1054
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Complete the following table about the members of the Company's Board of Directors that hold rights over shares in the Company:

Director name	Number of direct option rights	Number of indirect option rights	Number of equivalent shares	% of total voting rights
--	--	--	--	--

- A.4 Indicate, if appropriate, the relationships of a family, commercial, contractual or corporate nature that exists among the significant shareholders, as far as they are known by the Company, unless they have little relevance or derive from ordinary commercial operations:

Related names	Type of relationship	Short description
--	--	--

- A.5 Indicate, if appropriate, the relationships of a commercial, contractual or corporate nature that exist among the significant shareholders, and the Company and/or its group, unless they have little relevance or derive from ordinary commercial operations:

Related names	Type of relationship	Short description
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- A.6 Indicate if the company has been notified of any shareholder agreements that affect it under Article 112 of the Securities Market Act (Ley de Mercado de Valores; LMV). If appropriate, describe them briefly and list the shareholders connected through the agreement:

Yes No

Participants in the shareholder agreement	% capital affected	Short description of the agreement
--	--	--

Indicate if the Company is aware of the existence of arranged actions among its shareholders. Describe them here briefly, if appropriate:

Yes No

Participants in arranged actions	% capital affected	Short description of the agreement
--	--	--

In the event of any modification or termination of these pacts or agreements during the year, please describe them below:

There is no record.

- A.7 Indicate if any individual or company exercises or could exercise control over the company according to Article 4 of the LMV. If appropriate, indicate it here:

Yes No

Name or company name
Proyectos de Inversiones Medioambientales, S.L.

Comments
It owns more than 50% of the capital with the right to vote.

- A.8 Complete the following table regarding the company's treasury stock:

At the end of the year:

Number of direct shares	Number of indirect shares (*)	total % of capital
--	--	--

(*) Through:

Name of direct shareholder	Number of direct shares
--	--
Total:	--

Describe the significant changes, according to Royal Decree 1362/2007, carried out during the year:

Notification date	Total direct acquired shares	Total indirect acquired shares	total % of capital
--	--	--	--

Capital gain / (loss) from treasury stock disposals during the period	
	--

- A.9. Describe the current conditions and mandate term of the Board of Directors to carry out acquisitions or transfers of treasury stock.

As at 31.12.2008 the company held no treasury stock, nor had it acquired any of its own shares during 2008.

The Ordinary General Shareholders Meeting held on 17 April 2008 agreed to authorise the Board of Directors to make derivative acquisitions of shares in the company directly or via subsidiary or investee companies, up to the maximum limit specified in the prevailing provisions at a price between €1 and €100 per share, this authorisation being valid for a period of eighteen (18) months from said date, and subject to the provisions in Section 4 of Chapter IV of the Consolidated Text of the Spanish Public Limited Companies Act (Texto Refundido de la Ley de Sociedades Anónimas).

The Board of Directors has not made use of this authorisation to date.

A.10 Indicate, if appropriate, the legal and statutory restrictions on exercising voting rights, as well as the legal restrictions on acquiring or transferring shareholdings.

Indicate if there are legal restrictions on exercising voting rights:

Yes No

Maximum percentage of voting rights that a single shareholder can exercise due to legal restrictions	--
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Indicate if there are statutory restrictions on exercising voting rights:

Yes No

Maximum percentage of voting rights that a single shareholder can exercise due to statutory restrictions	--
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Description of the legal and statutory restrictions on exercising voting rights
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Indicate if there are legal restrictions on acquiring or transferring shareholdings in the company's capital:

Yes No

Description of the legal restrictions on acquiring or transferring shareholdings in the company's capital
--

A.11 Indicate if the General Shareholders' Meeting has agreed to adopt neutralisation measures against takeover bids, pursuant to Law 6/2007.

Yes No

If appropriate, explain the approved measures and the terms under which the lifting of the restrictions would occur.

No restrictions.

B Structure of the Administration of the company

B.1 Board of Directors

B.1.1 State the maximum and minimum number of directors established in the bylaws:

Maximum number of Directors	12
Minimum number of Directors	3

B.1.2 Complete the following table with the members of the Board:

Director name	Representative	Position on the Board	Date of first appointment	Date of last appointment	Selection procedure
Mr Javier Molina Montes	--	Chairman	11/07/2000	17/04/2008	Shareholders' Meeting
Mr Manuel Barrenechea Guimón	--	Vice-Chairman	11/07/2000	17/04/2008	Shareholders' Meeting
Mr Manuel Alejandro Blanco Losada	--	Director	18/06/2002	25/04/2006	Shareholders' Meeting
Mr Rafael Escuredo Rodríguez	--	Director	17/04/2008	17/04/2008	Shareholders' Meeting
Mr Jorge Guarner Muñoz	--	Director	22/06/2004	22/06/2004	Shareholders' Meeting
Ms María José Rivero Menéndez	--	Director	25/04/2006	25/04/2006	Shareholders' Meeting
Ms Guadalupe Sundheim Losada	--	Director	17/04/2008	17/04/2008	Shareholders' Meeting
Mr Salvador Martos Hinojosa	--	Director	11/07/2000	17/04/2008	Shareholders' Meeting

Number of Directors	8
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Indicate any departures from the Board of Directors that have occurred during the period:

Director name	Status of the Director upon removal	Departure date
--	--	--

B.1.3 Complete the following table about members of the Board and their different status:

Executive Directors

Director name	Committee that proposed his/her appointment	Position in the company organisation chart
Mr Javier Molina Montes	Appointments and Remuneration Committee	Chairman

Total number of executive directors	1
% of Board	12,500

External Shareholder Directors

Director name	Committee that proposed his/her appointment	Name of the significant shareholder represented or that has proposed his/her appointment
Mr. Manuel Barrenechea Guimón	Appointments and Remuneration Committee	Proyectos de Inversiones Medioambientales, S.L.
Mr Salvador Martos Hinojosa	Appointments and Remuneration Committee	Proyectos de Inversiones Medioambientales, S.L.
Ms Guadalupe Sundheim Losada	Appointments and Remuneration Committee	Abengoa, S.A.

Total number of shareholder directors	3
% of Board	37,500

Independent External Directors

Director name	Profile
Mr Manuel Blanco Losada	Independent external director
Mr Rafael Escuredo Rodríguez	Independent external director
Mr Jorge Guarner Muñoz	Independent external director
Ms María José Rivero Menéndez	Independent external director

Total number of independent directors	4
% of Board	50,00

Other External Directors

Director name	Committee that proposed his/her appointment
--	--

Total number of other external directors	--
% of Board	--

State the reasons why they cannot be considered as shareholder or independent directors, and their relationships, either with the company, its managers or its shareholders:

Director name	Reasons	Company, manager or shareholder with which there is a link
--	--	--

State the changes that may have occurred to the status of any of the directors during the period:

Director name	Change date	Previous status	Current status
Mr. Manuel Barrenechea Guimón-	15/01/2008	Executive Director	External Shareholder Director
--	--	--	--

B.1.4 Explain, if appropriate, the reasons why shareholder directors have been appointed at the request of shareholders whose holding is less than 5% of the capital:

Shareholder name	Justification
--	--

Indicate if formal requests for representation on the Board from shareholders whose shareholding is equal to or greater than other shareholders at whose request shareholder directors have been appointed, have not been acted upon. If appropriate, explain the reasons why they have not been upheld:

Yes No

Shareholder name	Explanation
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B.1.5 Indicate if any director has left his/her position prior to the completion of his/her mandate; if the director has explained his/her reasons and by what means, to the Board; and, in the event that the written communication was sent to every Board member, explain the reasons given below:

Name of the director	Reason for departure
--	--

B.1.6 Indicate, if they exist, the powers that the Board or CEO has delegated:

Director name	Short description
--	--

B.1.7 Identify, if appropriate, the members of the Board that hold administrative or management positions in other companies that form part of the Group of the listed company:

Director name	Name of group entity	Position
Mr Javier Molina Montes	Alianza Medioambiental, S.L.	Chairman
Mr Javier Molina Montes	Asa Environment & Energy Holding, AG	Chairman
Mr Javier Molina Montes	Befesa Servicios Corporativos, S.A.U	Chairman
Mr Javier Molina Montes	MRH Residuos Metálicos, S.L.U.	Chairman
Mr Javier Molina Montes	Befesa Agua, S.A.U.	Chairman
Mr Javier Molina Montes	Befesa Gestión de Residuos Industriales, S.L.U.	Chairman
Mr. Javier Molina Montes	Befesa Reciclaje de Residuos de Aluminio, S.L.	Chairman
Mr Manuel Barrenechea Guimón	Befesa Desulfuración, S.A.	Chairman
Mr Manuel Barrenechea Guimón	Alianza Medioambiental, S.L.U.	Director
Mr Manuel Barrenechea Guimón	Befesa Servicios Corporativos, S.L.U.	Director

- B.1.8 State, if appropriate, the directors of your company that are members of the board of directors of other entities listed on official stock markets in Spain other than companies in your group, which the company has been notified of:

Director name	Name of listed entity	Position
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- B.1.9 State, and if appropriate explain, if the company has rules on the number of boards that their directors may belong to:

Yes No

Explanation of the rules
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- B.1.10 In relation to Recommendation 8 of the Unified Code, state the Company's general policies and strategies that the plenary sessions of the Board has the right to approve:

	Yes	No
The investment and financing policy	X	
The definition of the corporate group structure	X	
The corporate governance policy	X	
The corporate social responsibility policy	X	
The strategic or business plan, as well as the management objectives and annual budget	X	
The policy on remuneration and performance evaluations of senior managers	X	
The risk control and management policy, as well as the regular monitoring of internal information and control systems	X	
The dividend and treasury stock policy(s), and their limits in particular.	X	

B.1.11 Complete the following table regarding the combined remuneration of the directors accrued during the year:

a) In the company subject to this report:

Remuneration concept	Data in € thousands
Fixed remuneration	661
Variable remuneration	343
Expenses	250
Statutory Benefits	0
Options on shares and/or other financial instruments	0
Others	0
Total:	1.254

Other Benefits	Data in € thousands
Advances	0
Granted loans	0
Pension plans and funds: Contributions	0
Pension plans and funds: Contract obligations	0
Life insurance premiums	0
Guarantees given by the company in favour of Directors	0

b) For participation by company directors on other boards of Directors and/or in the senior management of group companies:

Remuneration concept	Data in € thousands
Fixed remuneration	0
Variable remuneration	0
Expenses	0
Statutory Benefits	0
Options on shares and/or other financial instruments	0
Others	0
Total	0

Other benefits	Data in € thousands
Advances	0
Granted loans	0
Pension plans and funds: Contributions	0
Pension plans and funds: Contract obligations	0
Life insurance premiums	0
Guarantees given by the company in favour of Directors	0

c) Total remuneration by type of director:

Director type	By company	By group
Executives	1.016	0
External shareholder directors	42	0
External independent directors	196	0
Other external directors	0	0
Total	1.254	0

d) In relation to the income attributable to the parent company:

Total remuneration of directors (in € thousands)	1.254
Total remuneration of Directors/income attributable to the parent company (expressed as a %)	2.1 %

B.1.12 Identify the members of the senior management team that are not executive directors and indicate their total remuneration for the year:

Name or company name	Position
Mr. Juan Abaurre Llorente	Manager, Latin America Business Unit
Mr. Federico Barredo Ardanza	Manager, Aluminium Waste Recycling Business Unit
Mr. Guillermo Bravo Mancheño	Manager Director, Water Area Business Unit
Mr. Santiago Ortiz Domínguez	Manager, Industrial Waste Management Business Unit
Mr. Alfredo Velasco Erquicia	Manager, Industrial Waste Corporate Development Business Unit
Mr. Asier Zarranandia Ayo	Manager, Aluminium Waste Recycling Business Unit
Ms. Carmen Medina Ariza	Manager, Human Resources
Mr. Ignacio García Hernández	Chief Finance Officer
Mr. Juan Albizu Etxebarria	Manager, Consolidation and Management Control
Mr. Rafael Pérez Gómez	Manager, Strategic Development
Mr. Julen del Corral Beaza	Manager, Auditing
Mr. Antonio Marín Hita	Manager, Legal Counsel

Total remuneration of senior management (in € thousands)	1,816
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B.1.13 Indicate, if in general there are guarantee or compensation clauses for cases of dismissal or changes in control, in favour of members of the senior management team, including executive directors of the company or its group. State if these contracts must be notified and/or approved by representative groups of the company or its group:

Number of beneficiaries	0
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	Board of Directors	Shareholders' meeting
Group that authorises the clauses	--	--

	Yes	No
Is the General Shareholders' Meeting notified of the clauses?	--	--

B.1.14 State the process for determining the remuneration of the members of the Board of Directors and the relevant bylaw clauses:

Process for determining the remuneration of members of the Board of Directors and clauses in the bylaws
Set by the Appointments and Remuneration Committee (Article 27 of the Regulations of the Board of Directors and Article 3 of the Regulations of the Appointments and Remuneration Committee), Article 17 of the company's bylaws and the report on the remuneration policy for directors submitted to the General Meeting.

Indicate if the plenary sessions of the Board are responsible for approving the following decisions:

	Yes	No
The appointment and removal of senior managers, as well as their compensation clauses, as proposed by the CEO of the company.	X	
The remuneration of directors as well as any additional remuneration for executive responsibilities in the case of executives and any other conditions that their contracts should reflect.	X	

B.1.15 Indicate if the Board of Directors approves a detailed remuneration policy and specify the issues that it approves:

Yes **No**

	Yes	No
Amount of the fixed components, with a breakdown if appropriate, of the expenses for participating on the Board and its in committees and an estimate of the annual fixed remuneration provided.	X	
Variable remunerative concepts.	X	
Principal characteristics of the income security programs with an estimate of their amount or equivalent annual cost.	X	
Conditions that must apply to the contracts of those who hold senior management positions such as executive directors.	X	

B.1.16 Indicate if the Board submits a report on the remuneration policy of the directors as a separate point on the agenda to be voted on by the General Shareholders' Meeting, for consultation purposes. If appropriate, explain the aspects of the report in relation to the remuneration policy approved by the Board for future years, the most significant changes in these policies compared to the policy applied during the year and an overview of how the remuneration policy was applied during the year. State the role carried out by the Remuneration Committee and if external advice has been used identify the external consultants that may have provided it:

Yes **No**

Issues defined in the remuneration policy report
The company's Board of Directors presented, as a separate point on the agenda, to the General Shareholders' Meeting held on 17 April 2008, the reports on the remuneration policy for directors detailing the amount of the fixed and variable remuneration concepts. The report corresponding to 2008 is also due to be presented to the next General Shareholders' Meeting.

Role of the Remuneration Committee

	Yes	No
Has it used external advice?	X	
Identity of the external consultants	3 independent external consultancy firms	

B.1.17 Indicate, if appropriate, the identity of the members of the Board that may also be members of the Board of Directors, managers or employees of companies that hold significant shareholdings in the listed company and/or in entities of its group:

Director name	Name of significant shareholder	Position
Mr Javier Molina Montes	Abengoa, S.A.	Manager of the Environmental Services Business Group

State, if appropriate, the relevant relationships other than those in the point above, of members of the Board of Directors that connects them with significant shareholders and/or entities in the group:

Name of the connected director	Name of connected significant shareholder	Description of relationship
Mr Salvador Martos Hinojosa	Abengoa, S.A.	Termination of the labour relationship for retirement.
Mr. Manuel Barrenechea Guimón	Befesa Medio Ambiente, S.A.	Termination of the labour relationship for retirement.

B.1.18 State if there has been any modification to the regulations of the Board during the year:

Yes No

Modification description

B.1.19 State the procedures for appointment, re-election, evaluation and removal of directors. Give the competent bodies, the procedures to be followed and the criteria used in each of the procedures.

The Appointments and Remuneration Committee is the competent entity in all cases and makes a reasoned proposal to the Board of Directors based on criteria of independence and professionalism established in the Regulations of the Board and the Regulations of the Committee.

B.1.20 State the cases in which directors are obliged to resign.

Directors shall step down from the position at the end of the period for which they were appointed and in all other cases in accordance with the law, the bylaws and the Regulations of the Board of Directors.

Directors must surrender their position to the Board of Directors and agree to the corresponding resignation, if the Board deems it appropriate, in the following cases:

- a) When they may be involved in any of the legally established cases of incompatibility or prohibition.
- b) When they are significantly sanctioned by a public authority for having infringed their obligations as a director.
- c) When the director is asked to step down for having infringed his/her obligations as a director.

B.1.21 Explain if the function of the chief executive of the company is held by the Chairman of the Board. If appropriate, state the measures that have been taken to limit the risks of concentration of powers in a single person:

Yes No

Measures to limit risks
<p>The Board of Directors created the Audit Committee and the Appointments and Remuneration Committee on 18 December 2002 and 24 April 2003, respectively, according to Article 22 and pursuant to the Company's bylaws.</p> <p>These committees are attributed with the inherent authority, which cannot be delegated, to undertake the tasks assigned by law, the company's bylaws and their respective internal regulations, existing as control and supervision bodies for the issues within their scope.</p> <p>Both comprise three independent directors and the Chairman of each committee is therefore independent.</p>

State and explain, if appropriate, if rules have been established to authorise one of the independent directors to call meetings of the Board or to include new points on the agenda, in order to coordinate and represent the concerns of the external directors, and to manage the evaluation of the Chairman of the Board.

Yes No

Explanation of the rules
<p>According to Article 8.6 of the Regulations of the Board of Directors, when the Chairman of the Board is also the CEO of the Company, an independent director shall be authorised to (i) coordinate and hear the concerns of the external directors; (ii) request that the Board meets or to include new points on the agenda; and (iii) be responsible for the evaluation process of the Chairman.</p> <p>On 18 December 2007 the Board of Directors of the company appointed the independent director Mr Manuel Alejandro Blanco Losada as the Coordinating Director at the proposal of the Appointments and Remuneration Committee.</p>

B.1.22 Are supermajorities required, except when legally, for any type of decision?

Yes **No**

State how resolutions of the Board of Directors are passed, indicating at least the minimum quorum and the type of majority required:

Adoption of resolutions		
Description of the resolution	Quorum	Type of majority
All, except for legal exceptions.	51 %	51 %
Delegation of authority	51 %	66.67 %

B.1.23 State if there are specific requirements, other than those relating to directors, in order to be appointed Chairman.

Yes **No**

Description of the requirements
--

B.1.24 State if the Chairman has the casting vote:

Yes **No**

Issues on which there is a casting vote
--

B.1.25 State if the bylaws or the regulations of the Board establish a limit on the age of Directors:

Yes **No**

Age limit Chairman Age limit CEO Age limit director

B.1.26 State if the bylaws or the regulations of the Board establish a limited mandate for independent directors:

Yes **No**

Maximum number of years	--

B.1.27 In the event of few or no directors, explain the reasons and initiatives adopted to correct this situation.

Explanation of the reasons and initiatives
The Board of Directors is comprised of six male directors and two female directors. Ms. María José Rivero Menéndez and Ms. Guadalupe Sundheim Losada, appointed by the General Shareholders' Meeting in its meetings of 25 April 2006 and 17 April 2008 respectively, represent 25% of the Board.

In particular, indicate if the Appointments and Remuneration Committee has established procedures so that selection processes do not suffer from implicit biases that hinder the selection of female directors, and deliberately seeks candidates that match the profile required:

Yes No

Indicate the principal procedures

B.1.28 State if there are formal processes for delegating votes in the Board of Directors. Describe them here briefly, if appropriate:

There are none.

B.1.29 State the number of meetings that the Board of Directors has held during the year. Also indicate, if appropriate, the number of times that the Board has met without its Chairman attending:

Number of Board meetings	10
Number of Board meetings not attended by the Chairman	0

State the number of meetings that the various committees of the Board have held during the year:

Number of meetings of the Executive or Delegate Committee	0
Number of meetings of the Audit Committee	5
Number of meetings of the Appointments and Remuneration Committee	3
Number of meetings of the Appointments Committee	--
Number of meetings of the Remuneration Committee	--

B.1.30 State the number of meetings that the Board of Directors has held during the year without the attendance of all its members. Non-attendance includes representations made without specific instructions:

Number of non-attendances by directors during the year	0
Non-attendances as a percentage of total votes during the year	0,000

B.1.31 State if the individual and consolidated financial statements that are presented to the Board to be approved are certified in advance:

Yes No

Identify, if appropriate, the person(s) that have certified the Company's individual and consolidated financial statements to be drafted by the Board:

Name	Position
Mr Juan Albizu Etxebarria	Manager, Consolidation and Management Control

B.1.32 Explain, if they exist, the mechanisms established by the Board of Directors to prevent the individual and consolidated financial statements drafted by it from being submitted to the General Shareholder's Meeting with reservations in the audit report.

The risk control system, the internal audit services and the Audit Committee to which they report, are the mechanisms for control and periodic and recurrent supervision, which forecast, and if appropriate, resolve potential situations that if left unchecked, could lead to a concept being accounted for incorrectly.

B.1.33 Is the Secretary of the Board also a director?

Yes No

B.1.34 Explain the procedures for appointing and removing the Secretary of the Board, indicating if the appointment and removal are notified by the Appointments Committee and approved by a plenary session of the Board.

Appointment and removal procedure
Justified proposal of the Appointments and Remuneration Committee in accordance with Article 27.1 of the Regulations of the Board and Article 3 of the regulations of this committee.

	Yes	No
Does the Appointments Committee notify the appointment?	X	
Does the Appointments Committee notify the removal?	X	
Is the appointment approved by a plenary session of the Board?	X	
Does a plenary session of the Board approve the removal?	X	

Is the Secretary of the Board responsible for monitoring the recommendations on good governance in particular?

Yes No

Comments
The Secretary of the Board of Directors is not expressly responsible for monitoring the recommendations on good governance since the Secretary is a professional from outside of the company, although he actively collaborates in the bodies in which he carries out this function.

B.1.35 State, if they exist, the mechanisms established by the Company to preserve the independence of the auditor, financial analysts, investment banks and the ratings agencies.

The Audit Committee comprises only independent, non-executive directors, in compliance with the requirements of the legislation on good governance and the Financial System Reform Act (Ley de Reforma del Sistema Financiero) in particular, and the chairman of this committee is therefore an independent director in compliance with Article 2 of its internal regulations.

The functions and responsibilities of the Audit Committee are established in Article 26 of the Regulations of the Board of Directors and Article 3 of the regulations of this committee.

B.1.36 State if during the year the Company has changed its external auditor. Identify the incoming and outgoing auditors if appropriate:

Yes No

Outgoing auditor	Incoming auditor
--	--

In the event that there were disagreements with the outgoing auditor, explain the content of such disputes:

Yes No

Explanation of the disagreements
--

B.1.37 State if the audit firm carries out other work for the company and/or its group, other than audit work and if relevant, state the amount of fees paid for these tasks and the percentage of these fees that apply to the company and/or its group.

Yes No

	Company	Group	Total
Amount from other work other than audit work (€ thousands)	0	236	236
Amount for work other than audit work / Total amount invoiced by the audit firm (%)	0	26,30	26,30

B.1.38 State if the audit report of the financial statements for the previous year included qualifications or conditions. If appropriate, give the reasons given by the Chairman of the Audit Committee to explain the content and scope of these qualifications or conditions.

Yes No

Explanation of the reasons
--

B.1.39 State the number of consecutive years that the current audit firm has carried out the audit of the financial statements of the company and/or its group. Likewise, indicate the percentage represented by the number of years audited by the current audit firm over the total number of years that the financial statements have been audited.

	Company	Group
Number of consecutive years	16	16

	Company	Group
Number of years audited by the current audit firm / Number of years that the company has been audited (%)	100	100

B.1.40 Indicate the shareholdings of the members of the Board of Directors of the Company in the capital of entities with the same, similar or complementary type of activity compared to the Company's corporate purpose, both in relation to the Company and its group, and that the Company has been notified of. Likewise, state the positions or duties that they hold in these companies:

Director name	Name of the target company	% shareholding	Position or duties
--	--	--	--

B.1.41 State, and if relevant describe, if there is a procedure through which directors may access external advice:

Yes No

Describe the procedure
<p>The Secretary of the Board of Directors has the duties that legally correspond to him/her. The Secretary is also the external legal advisor of the company, who among other duties, advises the members of the Board on the legality of the deliberations and agreements that they propose, as the formal and material upholder of the principle of legality, which governs the actions of the Board of Directors.</p> <p>The Secretary of the Board has the full support of the Board to carry out the functions that correspond to him, with full independence of criteria and stability.</p> <p>In accordance with Article 18 of the Regulations of the Board, (Right to advice and information), directors have access to all the services of the company and may obtain, under the most extensive authority, the information and advice that they may require in relation to any aspect of the company, provided that its is required in the course of their duties, through the Chairman of the Board of Directors.</p> <p>Directors are authorised to propose to the Board, by majority and also through the Chairman of the Board, the use of legal, accounting, technical, financial or commercial advisers paid for by the company, or advisers of any other type that they deem necessary to the interests of the company, in order to be supported in the course of their duties when it relates to specific problems of an identifiable nature and complexity connected to the performance of their position.</p>

B.1.42 State, and detail if appropriate, if there is a procedure through which directors may access the information required to prepare for the meetings of the administrative bodies with sufficient time:

Yes No

Describe the procedure
The documentation is issued in advance of the Board meeting and/or made available in advance to the Board at its offices.

B.1.43 State, and if appropriate describe, if the company has established rules that oblige directors to report on and, if appropriate, resign in those cases that may harm the company's credibility and reputation:

Yes No

Explain the rules
<p>In accordance with Article 13 of the Regulation of the Board, directors must conduct themselves with the diligence of a methodical businessperson and a loyal representative. Their actions must be solely guided by the interests of the company, interpreted with full independence, endeavouring to defend and protect the interests of all shareholders from whom their mandate comes and to whom they are accountable.</p> <p>By virtue of their position, directors are obliged (i) to notify their direct or indirect shareholdings in shares or derivatives in the company; (ii) notify the company of significant changes in their professional situation, which affect the nature or conditions by virtue of which they may have been appointed as a director, or which may give rise to a conflict of interest; and (iii) notify the company of all judicial or administrative claims, or claims of any other type, which due to their significance could seriously impact the reputation of the company.</p> <p>According to Article 12 of the Regulations of the Board, directors shall cease to hold their position to the Board of Directors and provide, if deemed appropriate, their resignation in the following cases:</p> <ol style="list-style-type: none">1) When they may be implicated in any of the cases of incompatibility or prohibition stated by law.2) When they are significantly sanctioned by a public authority for having infringed their obligations as a director.3) When the Board requests it for having infringed their obligations as a director. <p>Once this period has passed or termination has occurred for any other reason in the course of their duties, directors may not provide their services to any other competing entity during a period of two years, unless the Board of Directors releases him/her from this obligation or reduces the duration.</p>

B.1.44 State if any member of the Board of Directors has notified the company that he/she has been indicted or that the courts have ordered proceedings to commence against him/her in relation to offences under Article 124 of the Spanish Public Limited Companies Act:

Yes No

Name of the director	Criminal proceedings	Comments
--	--	--

Indicate if the Board of Directors has studied the case. If the response is yes, explain and give the reasons for the decision taken about whether the director may or may not continue in his/her position.

Yes No

Decision taken	Explanatory reason
Continue / Does not continue	--

B.2. Committees of the Board of Directors

B.2.1 List all the committees of the Board of Directors and their members

Executive or Delegate Committee

Name	Position	Type
--	--	--
--	--	--

Audit Committee

Name	Position	Type
Mr Manuel Blanco Losada	Chairman	Independent; External.
Ms. María José Rivero Menéndez	Director	Independent; External
Mr Rafael Escuredo Rodríguez	Director	Independent; External.
Mr Alfonso Castresana Alonso de Prado	Secretary, non Director	--

Appointments and Remuneration Committee

Name	Position	Type
Mr Jorge Guarner Muñoz	Chairman	Independent; External.
Mr Manuel Blanco Losada	Director	Independent; External.
Mr Rafael Escuredo Rodríguez	Director	Independent; External.
Mr Juan Albizu Etxebarria	Secretary, non Director	--

Appointments Committee

Name	Position	Type
--	--	--
--	--	--

Remuneration Committee

Name	Position	Type
--	--	---
--	--	--

Committee

Name	Position	Type
--	--	---
--	--	--

B.2.2 Indicate if the following duties correspond to the Audit Committee:

	Yes	No
Supervise the drafting process and the integrity of the financial information relating to the company and, as appropriate, to the group, reviewing compliance with regulatory requirements, the appropriate scope of consolidation and the correct application of accounting criteria.	X	
Periodically review the internal control and risk management systems so that the principal risks are identified, managed and appropriately recorded.	X	
Monitor the independence and the efficiency of the internal audit function; propose the selection, appointment, re-election and removal of the manager of the internal audit service; propose the budget for this service; receive periodic information about its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.	X	
Establish and supervise a mechanism that allows employees to confidentially and, if appropriate, anonymously communicate potential irregularities, especially financial and accounting, which they may identify within the Company.	X	
Present the proposals to select, appoint, re-elect and substitute the external auditor, as well as the conditions of its contract, to the Board of Directors.	X	
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.	X	
Ensure the independence of the external auditor	X	
In the case of groups, encourage the group auditor to take responsibility for the audits of the companies that comprise it.	X	

- B.2.3 Give a description of the organisation, operating rules and the responsibilities of each committee of the Board.

A) Appointments and Remuneration Committee

Duties

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

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. In the case of non-executive Directors, the Committee will propose their appointments, re-elections and resignations, 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;
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 the 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 requests made by any director to take potential candidates into consideration to cover vacancies on the Board.
10. Verify annually the character of the Directors.
11. Draft an annual report on the activities of the Appointments and Remuneration Committee and an annual report on the remuneration policy of the directors.

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

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

A) Audit Committee

Functions

The functions and responsibilities of the Audit Committee are:

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.
- b) Report on the annual, half-yearly and quarterly financial statements that should be submitted to regulatory or market supervision entities.
- c) Periodically review the internal control and risk management systems.
- d) Supervise the internal audit function and monitor and supervise its independence and effectiveness; propose the selection, appointment, re-election and removal of the manager of the internal audit service; and propose the budget, if appropriate.
- e) Summon any employee or director of the Company, including appearances without the presence of another manager.
- f) The Audit Committee shall notify the Board prior to adopting the corresponding decisions on the following issues:
 - (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 operations.
- g) Supervise compliance with the Internal Code of Conduct and the rules of corporate governance.
- h) Notify the Board of any change in accounting criteria and of the risks on and off the balance sheet.
- i) To report to the General Shareholders' Meeting on questions raised by shareholders in relation to matters of its competence.
- j) Summon the directors that it deems appropriate to the meetings of the Committee to report on the issues that the Audit Committee agrees.
- k) 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.
 - (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 the 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 the independence of the auditors and any other issues related to the process of auditing the accounts.

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

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

B.2.4 State the authority that each committee has to advise, consult, and if appropriate, to delegate:

Committee name	Short description
Appointments and Remuneration Committee	See section B.2.3 above). a) 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. b) 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; c) Examine and organise the succession of the Chairman and CEO; d) Inform the Board of any appointments or resignations of senior managers proposed by the CEO.

	<p>e) Inform the Board about gender diversity issues.</p> <p>f) Propose to the Board of Directors:</p> <ul style="list-style-type: none"> i) The remuneration policy for directors and senior management; ii) The individual remuneration of the directors and the approval of the contracts that the Company signs with each executive director; iii) The basic conditions of contracts for senior management. <p>g) Ensure that the remuneration policy established by the Company is followed.</p> <p>h) Verify annually the character of the Directors</p>
Audit Committee	<p>(See section B.2.3 above).</p> <ul style="list-style-type: none"> a) Supervise the preparation process and the integrity of the financial information relating to the Company and to the Group, as appropriate. b) Report on the annual, half-yearly and quarterly financial statements that should be submitted to regulatory or market supervision entities. c) Periodically review the internal control and risk management systems. d) Supervise the internal audit function and monitor and supervise its independence and effectiveness; propose the selection, appointment, re-election and removal of the manager of the internal audit service; and propose the budget, in case. e) The Audit Committee shall notify the Board (i) The financial information that the Company must periodically publish, as a listed company; (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 operations and (iv) any change in accounting criteria and of the risks on and off the balance sheet f) To report to the General Shareholders' Meeting on questions raised by shareholders in relation to matters of its competence the appointment of the external auditor, and the conditions for his recruitment.

B.2.5 Indicate, if appropriate, the existence of regulation of the Board's committees, the location in which they are available for consultation and any modifications that have been carried out during the year. Also state if an annual report is voluntarily drafted on the activities of each committee.

Appointments and Remuneration Committee

The creation of the Appointments and Remuneration Committee is foreseen in the section 3 of the Bylaws, Articles 22 and 24.

The complete text of the Rules of Operation, competences and faculties are in their Regulations, which is available on Befesa's website at www.befesa.es and www.befesa.com (Information for Shareholders and Investors / Corporate Governance), and deposit in the CNMV. In this site it appears as well the current composition of the members of this Committee.

The Regulation, since it was approval by the Board of Directors on April 24, 2003, was modified by the Board of Directors on February 28, 2005, to replace the annual rotary character of the Chairman of the Committee by the time of 4 years foreseen for the appointment of the Directors. By Agreement of the Board of Directors on December 18, 2007, it have been again in order to adapt to the recommendations established in the Unified Code for Proper Governance, approved by the Board of Directors of the NSEC on May 22, 2006.

A) Audit Committee

The creation of the Audit Committee in foreseen in the section 3 of the Bylaws, Articles 22 and 23.

The complete text of the Rules of Operation, competences and faculties are in their Regulations, which is available on Befesa's website at www.befesa.es and www.befesa.com (Information for Shareholders and Investors / Corporate Governance), and deposit in the CNMV. In this site it appears as well the current composition of the members of this Committee.

The Regulation, since it was approval by the Board of Directors on April 24, 2003, was modified by the Board of Directors on February 28, 2005, to replace the annual rotary character of the Chairman of the Committee by the time of 4 years foreseen for the appointment of the Directors. By Agreement of the Board of Directors on December 18, 2007, it have been again in order to adapt to the recommendations established in the Unified Code for Proper Governance, approved by the Board of Directors of the NSEC on May 22, 2006.

- B.2.6 State if the composition of the Executive Committee reflects the participation of the different directors on the Board based on their status:

Yes

No

If not, explain the composition of its executive committee

The company has not assigned an Executive Committee

C Related Operations

- C.1 Indicate if the plenary session of the Board has the right to approve the operations that the company carries out with directors, significant shareholders or their representatives on the Board, or with people related to them, upon receipt of a recommendation from the Audit Committee or any other committee to which the responsibility may have been designated:

Yes

No

- C.2 Detail the relevant operations that involve a transfer of funds or obligations between the company or entities in its group and the company's significant shareholders:

Name of significant shareholder	Name of the company or entity in its group	Nature of the relationship	Type of operation	Amount (€ thousands)
Abengoa, S.A.	Befesa Medio Ambiente, S.A.	Service provision agreement	Provision of professional services	8,517

- C.3 Give the relevant operations that involve a transfer of funds or obligations between the company or entities in its group and the company's administrators or managers:

Name of the administrator or manager	Name of the company or entity in its group	Nature of the operation	Type of operation	Amount (€ thousands)
--	--	--	--	--

- C.4 Give the relevant operations carried out by the company with other companies belonging to the same group, provided that they are not eliminated in the consolidated process for the financial statements and do not form part of the normal operations of the company in relation to its purpose and conditions:

Name of entity in its group	Short description of the operation	Amount (€ thousands)
--	--	--

- C.5 State if any of the members of the Board of Directors have found themselves in a position of conflict of interest during the year, according to Article 127 ter of the Spanish Public Limited Companies Act (LSA)

Yes No

Director name	Description of the conflict of interest
--	--

- C.6 Describe the mechanisms established to detect, determine and resolve possible conflicts of interest between the company and/or its group, and their directors, managers or significant shareholders.

In relation to possible conflicts of interest between the company and its directors, it should be noted that in accordance with Article 13 of the Regulations of the Board of Directors in relation to directors' obligations, directors are obliged to prevent the concurrence of conflicts of interest and in all cases to communicate their possible existence to the Board of Directors via the Secretary of the Board.

Likewise, directors must: (i) not hold positions in companies that compete with the company or its group; (ii) not use the company's unpublished information for personal means; (iii) not improperly use the company's assets or take advantage of their position in the company to obtain benefits from assets without making the appropriate payment; (iv)

not use business opportunities for their own ends that they are only aware of through their position as a director; (v) abstain from voting on proposals for appointments, removals and remuneration, when they are affected.

Since 12 December 2000, the company's Board of Directors has approved an internal regulation in relation to the stock market and a policy on the use of relevant information, reviewed on 24 April 2003 and 22 June 2004, so that the latter strengthens the regulation of specific issues such as conflicts of interest, certain aspects relating to privileged information and to trading in the company's shares.

Following the company's desire to extend the rules of good governance to all aspects of the company's operations, on 26 April 2005 the Board of Directors agreed to modify the Code of Conduct implemented in 2003, which applied generally, so that it would specifically apply to all actions and working relations of managers, directors and certain employees, who due to their position or responsibility, could be affected by its content, in their relations with clients and potential clients, with colleagues, administrative bodies, the media and with any other person or institution with which the company has contact.

In accordance with Article V, Section B of the Internal Code of Conduct in relation to the stock market, the Company considers it of the highest importance that all insiders conduct themselves in accordance with the policy established on this issue. All directors, managers and employees are responsible for adhering to this policy and for the procedures related to it.

C.7 Is more than one company in the Group listed in Spain?

Yes No

Identify the subsidiary companies that are listed in Spain:

Listed subsidiary companies
--

Indicate if the respective business areas and the relations between them have been publicly and precisely defined, as well as the areas and relations of the listed subsidiary company with the other companies in the Group;

Yes No

Define the business relationships between the parent company and the listed subsidiary; and between this company and the other companies in the Group
--

Identify the mechanisms planned for resolving any conflicts of interest between the listed subsidiary and other companies in the Group:

Mechanisms for resolving conflicts of interest
--

D Risk Control Systems

- D.1 General description of the risk policy of the company and/or its group, detailing and evaluating the risks covered by the system, together with the justification of the effectiveness of these systems for each type of risk profile.

Befesa's risk control structure is based on two foundations: the common management systems and the internal audit services, whose definitions, objectives, characteristics and functions are described below.

(i) Common Management Systems

Definition

The Common Management Systems develop the internal rules of the company and its methodology for evaluating and controlling risks and represent a genuine guide for managing businesses, sharing the accumulated knowledge and setting criteria and operational standards.

Objectives

- To identify possible risks, because, although they are associated to any business, it shouldn't renounce to the minimizing and be aware of them.
- To optimize day-by-day management, applying procedures designed for financial efficiency, cost reduction, and information and management systems homogenization and compatibility.
- To foment the synergy and the creation of value for the different Business Units of, working in a collaborative ambience.
- To reinforce the corporate identity, respecting the shared values of all the companies within Befesa.
- To grow through strategic development seeking innovation and new options for the medium and long terms.

The systems cover the whole organization at three levels:

- all business units and business lines;
- all levels of responsibility;
- all types of transactions.

In 2004 a project was begun to align the company's risk management model with the conceptual framework established by the Sarbanes-Oxley Act (SOX) in order to continuously improve the company's control procedures. In 2007 the process to adapt the internal control structure for financial information to the requirements of the SOX was completed.

In 2008 a master corporate social responsibility plan was prepared, adapting the strategy to the social reality of the different communities where the company has a presence. Corporate social responsibility, defined as the integration into the company's strategy of

the expectations of interest groups; respect for the law; and adherence with international standards of conduct, is one of the core elements of the company's culture. Interest groups are informed about the company's performance in the different areas of corporate social responsibility through a report that follows the Global Reporting Initiative standard for sustainability reports. This report will be externally verified as part of the company's commitment to transparency and diligence.

In 2008, in line with the UN's Caring for Climate initiative, the company launched a system for reporting greenhouse gas emissions, which will allow its emissions to be monitored and will record the traceability of all its supplies as well as the products and services that it offers.

In 2009 the company will develop a system of environmental sustainability indicators that will contribute to improving the management of its business, allowing it to measure and compare the sustainability of its activities and to establish targets for future improvement.

ii) Internal Audit

Definition

The function of Internal Audit is structured around the Pooled Audit Services that encompass the audit teams of the companies, business units and corporate services that act in a coordinated way and which are responsible to the Audit Committee of the Board of Directors.

General Objectives

- To anticipate the audit risks of the group's companies, projects and activities, such as frauds, financial damages, inefficient operations and risks that may affect the healthy operation of business in general.
- To control the application of, and promote the development of adequate and efficient management rules and procedures in accordance with the common Corporate Management Systems.
- To create value for Befesa, promoting the construction of synergies and the monitoring of optimal management practices.
- To coordinate the criteria and the focus of the external auditors' work, seeking the best efficiency and profitability of both functions.

Specific Objectives

- To evaluate the audit risk of Befesa's companies and projects in accordance with an objective procedure.
- To define various types of standard audit and internal control tasks in order to develop the corresponding Work Plans with the appropriate scope for each situation. This classification, which is linked to the Audit Risk Assessment, determines the Work Plans to be used and implies a type of appropriate recommendation and report and should therefore be used explicitly in these documents.

- To steer and coordinate the planning process for audit work and internal control in the companies and business groups, to define a notification procedure for these tasks and communication with the affected parties and to establish a method of coding these tasks for their adequate control and monitoring.
- To define the communication process of each audit job's results, the people that are affected and the format of the documents in which they appear.
- To review the application of the plans, the adequate implementation and supervision of the tasks, the timely distribution of the results and the monitoring of the recommendations and their corresponding implementation.

Audit Committee

As has been indicated previously in this Report, pursuant to Article 47 of Law 44/2002 of December 22, of the Financial System Reform Measures, Befesa's Board of Directors appointed an Audit Committee on December 18, 2002, whose functions include the "supervision of the internal audit services" and the "understanding of the financial reporting process and the company's internal control systems".

The Corporate Internal Audit manager reports systematically to this Committee in relation to his own responsibilities of:

- the Annual Internal Audit Plan and its degree of completion;
- the level of implementation of the issued recommendations;
- a sufficient description of the principle areas reviewed and the most significant conclusions;
- other more detailed explanations that the Audit Committee may require.

D.2 Indicate if any of the different types of risk (operational, technological, financial, legal, reputational, tax...) that affect the company and/or its group, have materialised during the year:

Yes **No**

If yes, indicate the circumstances that caused this to occur and if the control systems established worked.

Risk arising during the year	Circumstances that caused it	Functionality of the control systems
--	--	--

D.3 State if there is a committee or other governing body responsible for establishing and supervising these control mechanisms:

Yes No

If yes, describe its functions.

Name of the committee or body	Description of functions
Audit Committee	See sections B.2.2, B.2.3, B.2.4 above and other references contained in this report. The Audit Committee reports to the Board about any change in accounting criteria and about on and off-balance sheet risk.

D.4 Identification and description of the compliance processes with the various regulations that affect your company and/or its group.

Befesa Medio Ambiente is subject to EU, Spanish, regional and local legislation that governs its activities of integral industrial waste management and the management and generation of water. Outside of Spain, its actions are governed by the legislative framework of the countries in which it operates.

E General Shareholders' Meeting

E.1 Indicate, and if appropriate give details, if differences exist compared to the minimum requirements established in the Spanish Public Limited Companies Act (LSA) in relation to the quorum of the General Shareholder's Meeting.

Yes No

	% quorum different to Article 102 of the LSA for general cases	% quorum different to Article 103 of the LSA for the specific cases of Art. 103
Quorum required for 1st notice	--	--
Quorum required for 2nd notice	--	--

Description of the differences
No differences.

E.2 Indicate, and if appropriate give details, if there are differences between the methods established in the LSA in relation to passing company resolutions:

Yes No

Describe how it differs from the LSA.

	Supermajority different to Article 103.2 of the LSA for the cases of 103.1	Other cases of supermajority
% established by the company for passing resolutions	--	--
Description of the differences		
No differences.		

E.3 List shareholders' rights in relation to General Shareholder's Meetings that are different to those established in the LSA.

No differences.

E.4 Indicate, if appropriate, the measures adopted to promote the participation of shareholders in General Shareholder's Meetings.

All legally required measures are implemented, including in the Regulations on General Shareholders' Meetings (the documentation subject to the meeting is made available; this documentation is included on the company's website especially for the meeting; option to delegate a vote or to vote remotely by completing the accredited attendance cards).

The bylaws do not limit the maximum number of votes that a single shareholder may cast, nor contain restrictions that make it difficult to take control of the company through the acquisition of shares.

The General Shareholders' Meeting votes separately on the subjects in the agenda so that shareholders are able to exercise their voting preferences separately.

E.5 Indicate if the position of Chairman of the General Shareholder's Meeting coincides with the position of Chairman of the Board of Directors. Describe, if appropriate, what measures are taken to guarantee the independence and proper functioning of the General Shareholder's Meeting:

Yes No

State the measures
In accordance with the Company's bylaws (Article 15) and the Regulation on General Shareholder's Meetings (Article 13), the Chairman or Vice-chairman of the Board of Directors will act as Chairman of the General Shareholder's Meeting. In the event of the absence of the Chairman and Vice-chairman, the shareholder appointed by the General Shareholder's Meeting itself will chair the meeting.
The Regulations on General Shareholders' Meetings regulate the procedures for calling a meeting, the functioning of a meeting, the exercising of rights and the passing of resolutions, establishing a precise and compulsory framework for the development of its functions.
The company's General Shareholders' Meetings are normally held in the presence of a notary public to ensure that the necessary conditions for validly constituting the meeting, passing resolutions and taking the corresponding minutes are all met.
It is the responsibility of the Secretary of the Board, in accordance with the company's bylaws and the Regulations on General Shareholders' Meetings, to act as secretary of the meeting and to ensure that the meeting complies with its legal and bylaw obligations in relation to the holding of the meeting and the passing of resolutions.

E.6 Indicate, if appropriate, the modifications introduced during the year in the regulations of the General Shareholder's Meeting.

None.

E.7 Indicate the attendance details for the General Shareholder's Meetings held during the year to which this report refers:

Meeting date	Attendance details				Total %
	% physical presence	% representation	% distance voting		
			Electronic vote	Others	
17/04/08	97.512	0.846	0,000		98.358

E.8 Indicate briefly the resolutions adopted in the General Shareholder's Meetings held during the year to which this report refers and the percentage of votes with which each resolution was adopted.

The following resolutions were adopted by unanimity of the share capital present and represented:

1. Approval of the financial statements of Befesa Medio Ambiente, S.A. for 2007, comprising the balance sheet, the income statement and notes, the management report and the proposed appropriation of earnings for the year.
2. Approval of the financial statements of the consolidated Group, comprising the consolidated balance sheet, income statement and notes, and the consolidated management report for 2007.
3. Approval of the appropriation of earnings of the total income after tax of €35,189,233.00, comprising €3,518,923.00 to the legal reserve and €31,670,310.00 to voluntary reserves.
4. Approval of the special Report on the Remuneration Policy
5. Appointment of Deloitte S.L. as auditor of the accounts for 2008, to review the financial statements and the management report of Befesa Medio Ambiente, S.A. and the consolidated financial statements and management report.
6. Re-election of the directors Mr Javier Molina Montes; Mr Manuel Barrenechea Guimón and Mr Salvador Martos Hinojosa for a new four year period; and re-election of Mr Javier Molina Montes as Chairman of the Board and Mr Manuel Barrenechea Guimón as Vice-chairman; and appointment of Ms. Guadalupe Sundheim Losada as a new shareholder director for a period of four years.
7. Change of the company's registered address from calle Buen Pastor, s/n in Baracaldo to Carretera de Bilbao a Plencia, 21, in Erandio (Vizcaya).
8. Modification of Articles 12 and 20 of the company's bylaws and Article 5 of the Regulations on General Shareholders' Meetings in relation to calling a meeting.
9. Ratification of the authorisation given to the Board of Directors authorising the Board to increase the Company's share capital, once or several times, up to a limit equivalent to 50% of the share capital, within the legal limits.
10. Authorisation to the Board of Directors to issue fixed income or equity based debentures or securities, within the legal limits.
11. Authorisation to the Board of Directors for derivative purchases of treasury stock, directly or indirectly through subsidiaries or

investee companies, up to the maximum limit established under prevailing provisions.

12. To grant the Board of Directors, the Chairman, Vice-Chairman and Non-Executive Secretary the authority to formalise and execute the resolutions adopted.

E.9 State if there are any statutory restrictions that establish the minimum number of shares required to attend the General Shareholder's Meeting:

Yes No

Number of shares required to attend the General Meeting	--
--	----

E.10 State and justify the policies followed by the Company in relation to delegating votes in the General Shareholder's Meeting.

There are no specific policies relating to delegating votes in the General Shareholders' Meeting in so far as there are no restrictions on exercising the right to vote.

In accordance with Article 14 of the company's bylaws and Article 3 of the Regulations on General Shareholders' Meetings, all shareholders whose shares are registered in the corresponding Securities Register at least five days prior to the day of the meeting may personally attend the General Shareholder's Meeting or be represented by another person, even through this person is not a shareholder.

The right to vote or electronic delegation will be guaranteed through the corresponding regulatory and technical development, and with the assurance of specific legal certainty.

E.11 Indicate if the Company is aware of the policy regarding the participation of institutional investors in the Company's decisions:

Yes No

Describe the policy
--

E.12 State the address and method of access to the content on corporate governance on your website.

The annual corporate governance report is available on the company's website www.befesa.es, in the section on "Information for Shareholders and Investors", under the "Corporate Governance Report" option.

F Degree of Compliance with the Corporate Governance Recommendations

Please indicate the degree of compliance of the company in relation to the recommendations of the Unified Code of Good Governance.

If the event of not complying with a particular recommendation, please explain the recommendations, rules, practices and criteria that apply to the company.

1. The bylaws of listed companies do not limit the maximum number of votes that a single shareholder may cast, nor contain other restrictions that make it difficult to take control of the company through the acquisition of its shares in the market.

See sections: A.9, B.1.22, B.1.23 and E.1, E.2.

Complies Explain

2. When the parent company and a subsidiary company are listed, both companies publicly and precisely define the following:
 - a) The respective areas of activity and business relations between them, as well as the activities and relations between the listed subsidiary and the other companies in the group;
 - b) The mechanisms in place for resolving any conflicts of interest that may arise.

See sections: C.4 and C.7

Complies Partially complies Explain Not applicable

3. Although not expressly required under mercantile law, operations that involve a structural change to the company, especially the following, are subject to the approval of the General Shareholders' Meeting:
 - a) The conversion of listed companies into holding companies through "subsidiarisation" (the incorporation of essential activities into subsidiary entities, which were previously carried out by the parent, even though the parent maintains full control over them);
 - b) The acquisition or disposal of essential operational assets when it implies an effective modification to the company's corporate purpose;
 - c) Operations whose effect is equivalent to winding up the company.

Complies Partially complies Explain

4. The proposals detailed in the resolutions to be adopted by the General Shareholders' Meeting, including the information referred to in Recommendation 28, are published at the same time as the announcement of the General Meeting.

Complies Explain

5. The General Shareholders' Meeting votes separately on those subjects that are essentially independent so that shareholders are able to exercise their voting preferences separately. And that this rule applies to the following, in particular:

- a) The appointment or ratification of directors, who must be voted for individually;
- b) In the event of amendments to the bylaws, to each article or group of articles that is essentially independent.

See section: E.8

Complies Partially complies Explain

- 6. Companies allow the vote to be split so that financial intermediaries that legitimately attend as shareholders, but are acting on behalf of various clients, can cast their votes according to their clients' instructions.

See section: E.4

Complies Explain

- 7. The Board carries out its functions with a unity of purpose and independent criteria, treating all shareholders equally, guided by the interests of the company, understood to be the continual maximisation of the financial value of the company.

It also ensures that in its relations with interest groups, the company respects all laws and regulations; it fulfils its obligations and contracts in good faith; it respects the uses and good practices of the sectors and territories in which it operates; and it observes the principles of social responsibility that it accepts voluntarily.

Complies Partially complies Explain

- 8. The principal objective of the Board is to approve the Company's strategy and the specific organisation required for its operation, as well as to supervise and control the management in achieving the objectives set and fulfilling the Company's objectives and social interests. Therefore, plenary sessions of the Board reserve the right to approve:

- a) The policies and general strategies of the company, especially:
 - 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 policy on remuneration and performance evaluations of senior managers;

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, especially their limits.

See sections: B.1.10, B.1.13, B.1.14 and D.3

b) The following decisions:

i) The appointment and removal of senior managers, as well as their compensation clauses, as proposed by the CEO of the company.

See section: B.1.14.

ii) The remuneration of directors, as well as in the case of executive directors, any additional remuneration for executive responsibilities and any other conditions that their contracts should reflect.

See section: B.1.14.

iii) The financial information that the company must periodically publish as a listed company.

iv) Investments or operations of any type considered as strategic due to their significant value or special characteristics, except for those that must be approved by the General Shareholders' Meeting.

v) 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.

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 operations").

The authorisation of the Board shall not be required however, for those related operations that simultaneously fulfil the following three conditions:

1. Operations carried out under agreements with standardised conditions and that are applied in a general way to numerous clients;
2. Operations carried out at market rates or prices, which in general are set by the supplier of the goods or services;
3. Operations whose quantity does not exceed 1% of the company's annual revenues.

It is recommended that the Board approves related operations following the favourable endorsement of the Audit Committee, or from any other committee that has been authorised for this function; and that directors that are involved not only forgo their right to vote (without the right to representation), but also leave the meeting room while the Board deliberates and votes on the issue.

It is recommended that the authorizations attributed to the Board in these matters cannot be delegated, except in aforementioned points b) and c), which may be passed for reasons of urgency by the Executive Committee, and subsequently ratified by a plenary session of the Board.

See sections: C.1 and C.6

Complies Partially complies Explain

9. The Board has the size required to function in a participatory and effective way, recommended to be no less than five and no more than 15 members.

See section: B.1.1

Complies Explain

10. External shareholder directors and independent directors comprise the significant majority of the Board of Directors and that the number of executive directors is as few as possible, taking into account the complexity of the corporate group and the percentage shareholdings of the executive directors in the company.

See sections: A.2, A.3, B.1.3 and B.1.14.

Complies Partially complies Explain

11. If there is an external director who cannot be considered as either a shareholder director or an independent director, the company explains this circumstance and his/her connections to the company, its managers or its shareholders.

See section: B.1.3

Complies Explain Not applicable

12. Among the external directors, the relationship between the number of shareholder directors and independent directors reflects the existing ratio between the company's capital represented by the shareholder directors and the remaining capital.

This criterion of strict proportionality can be extenuated so that the percentage of shareholder directors is greater than the total percentage of capital that they represent:

1. In large cap companies in which there are no or few shareholdings that are legally considered as significant shareholdings, but there are shareholders whose holdings have a high absolute value.
2. When it relates to companies in which numerous shareholders are represented on the Board but these shareholders are wholly unrelated.

See sections: B.1.3, A.2 and A.3

Complies Explain

13. The number of independent directors represents at least one third of all directors.

See section: B.1.3

Complies Explain

14. The nature of each director is explained by the Board to the General Shareholders' Meeting, which must make or ratify the appointment, and is confirmed or, if appropriate, reviewed annually in the Annual Corporate Governance Report following verification by the Appointments Committee. And that this report also explains the reasons why shareholder directors may have been appointed at the request of shareholders whose holding is less than 5% of the capital; and states the reasons why formal requests for representation on the Board may not have been agreed to from shareholders whose holding is equal to or more than other shareholders, at whose requests shareholder directors have been appointed, if appropriate.

See sections: B.1.3 and B.1.4

Complies Partially complies Explain

15. When this number of directors is few or none, the Board explains the reasons and the initiatives adopted to correct this situation; and in particular, the Appointments Committee monitors the situation so that in the case of new vacancies:

- a) The selection procedures do not suffer from implicit bias that hinders the selection of directors;
- b) The company deliberately seeks and includes women among the potential candidates, who match the professional profile sought.

See sections: B.1.2, B.1.27 and B.2.3.

Complies Partially complies Explain Not applicable

16. The Chairman, as the person responsible for the efficient functioning of the Board, ensures that directors receive sufficient information in advance; promotes discussion and the active participation of directors during Board meetings, ensuring their freedom to make judgements and express opinions; and organises and coordinates with the chairmen of the relevant committees to periodically evaluate the Board as well as the Chief Executive Officer or the head of the company, if appropriate.

See section: B.1.42

Complies Partially complies Explain

17. When the Chairman of the Board is also the CEO of the Company, an independent director shall be authorised to call meetings of the Board or to include new points on the agenda; to coordinate and represent the concerns of the external directors; and to manage the evaluation of the Chairman by the Board.

See section: B.1.21

Complies Partially complies Explain Not applicable

18. The Secretary of the Board places special emphasis on monitoring the Board so that its actions:

- a) Comply with the stipulations and the spirit of the laws and regulations, including those approved by regulatory entities;
- b) Comply with the company's bylaws and with the regulations of the Shareholders' Meeting, the Board of Directors and any other regulations that apply;
- c) Take into account the recommendations on good governance contained in this Unified Code that the company should have accepted.

And in order to safeguard the independence, impartiality and professionalism of the Secretary, his/her appointment and removal will be notified by the Appointments Committee and approved by a plenary session of the Board; and this appointments and removal procedure shall form part of the Regulations of the Board of Directors.

See section: B.1.34

Complies Partially complies Explain

19. The Board meets with the required frequency to efficiently carry out its duties, following a schedule of dates and issues established at the start of the year, although each director may propose other unforeseen points for the agenda.

See section: B.1.29

Complies Partially complies Explain

20. Non-attendance by directors is limited to essential cases only and quantified in the Annual Corporate Governance Report. And in the event that representation is essential, is it conferred with instructions.

See sections: B.1.28 and B.1.30

Complies Partially complies Explain

21. When directors or the Secretary state concerns about a proposal or, in the case of directors, about the performance of the company, and such concerns are not resolved by the Board, these concerns are recorded in the minutes at the request of the director stating them.

Complies Partially complies Explain Not applicable

22. Once a year a plenary session of the Board evaluates :

- a) The quality and efficiency of the functioning of the Board;
- b) The performance of the duties of the Chairman of the Board and the Chief Executive of the company based on the report provided by the Appointments Committee;
- c) The performance of its Committees based on the reports provided by them.

See section: B.1.19

Complies Partially complies Explain

23. All directors can exercise their right to receive the additional information that they deem necessary on issues under the authority of the Board. And, except in the event that the bylaws or the regulations of the Board state to the contrary, these requirements are stated to the Chairman or the Secretary of the Board.

See section: B.1.42

Complies Explain

24. All directors have the right to receive advice from the company required to fulfil their duties. And the company facilitates the appropriate channels to comply with this right, which under special circumstances may involve external advice at the expense of the company.

See section: B.1.41

Complies Explain

25. Companies establish an orientation programme that provides new directors with a quick and sufficient understanding of the company as well as its rules of corporate governance. Directors are also offered programmes to improve their knowledge when circumstances require it.

Complies Partially complies Explain

26. Companies require their directors to dedicate the time and effort to carry out their duties effectively and, as a result:

- a) Directors notify the Appointments Committee of their other professional obligations, which could interfere with the dedication required;
- b) Companies establish rules on the number of boards that their directors may belong to.

See sections: B.1.8, B.1.9 and B.1.17

Complies Partially complies Explain

Section a) of this recommendation is complied with and the Appointments and Remuneration Committee is informed of a director's professional commitments.

In relation to section b), there are no limitations in relation to membership of other boards and is based on the responsible judgement of each director.

27. The proposal to appoint or re-elect directors made by the Board to the General Shareholders' Meeting, as well as provisional appointments through co-opting, are approved by the Board:

- a) At the proposal of the Appointments Committee in the event of independent directors.
- b) Upon prior endorsement by the Appointments Committee in the case of other directors.

See section: B.1.2

Complies Partially complies Explain

28. Companies publish and maintain updated the following information about their directors via their website:

- a) Professional profile and biography;
- b) Other boards which they sit on, for listed and unlisted companies;
- c) The type of directorship, stating in the case of shareholder directors, the shareholder that they represent or with which they have relations.
- d) Date of their first appointment as a director in the company as well as the date of subsequent appointments, and;
- e) Shares and share options held by them in the company.

Complies Partially complies Explain

29. Independent directors do not hold their directorship for more than 12 years.

See section: B.1.2

Complies Explain

30. Shareholder directors present their resignation when the shareholder that they represent fully sells its shareholding. And that, shareholder directors are reduced by the corresponding number when said shareholders reduce their holdings to a level that requires a lower number of shareholder directors.

See sections: A.2, A.3 and B.1.2

Complies Partially complies Explain

31. The Board of Directors does not propose the removal of any independent director before the statutory period has been completed for which he/she has been appointed, except in the case of just cause, when previously notified to the Board by the Appointments Committee. In particular, just cause shall be understood to include the case of a director that has not fulfilled the duties inherent in his/her position or incurred through any of the circumstances described in part five of chapter III of the definitions of this Code.

The removal of independent directors may also be proposed as a result of mergers, takeovers or other similar corporate actions that involve a change in the structure of the company's capital when said changes to the structure of the Board are supported by the criteria of proportionality indicated in Recommendation 12.

See sections: B.1.2, B.1.5 and B.1.26

Complies Explain

32. Companies establish rules that oblige directors to report and, if appropriate, resign in those cases that may harm the company's credibility and reputation, and in particular, that oblige them to notify the Board of any criminal actions in which they may be involved, as well as any subsequent procedural actions taken.

If a director is indicted for any of the offences set out in Article 124 of the Spanish Public Limited Companies Act (Ley de Sociedades Anónimas), or if the courts order proceedings to commence against a director in relation to such offences, the Board examines the case as soon as possible and, based on its specific circumstances, may decide if the director continues or not. The board reports all of this in a reasonable way in the Annual Corporate Governance Report.

See sections: B.1.43, B.1.44

Complies Partially complies Explain

33. All directors clearly express their opposition when they believe that a proposal for a decision presented to the Board may not be in the Company's interests, but especially the independent and other directors who are not affected by the potential conflict of interest, when it relates to decisions that may be detrimental to the shareholders that are not represented on the Board.

And when the Board adopts significant or repeated decisions about which the director has serious reservations, the director draws the appropriate conclusions and, if he/she decides to resign, shall explain the reasons in the letter referred to in the following recommendation.

This recommendation also applies to the Secretary of the Board, even though he/she may not be a director.

Complies Partially complies Explain Not applicable

34. When, by resignation or for other reasons, a director leaves his position before the end of his term, the reasons shall be explained in a letter that he/she shall send to all Board members. And, notwithstanding the fact that this departure is reported as a relevant fact, the reason for the departure is reported in the Annual Corporate Governance Report.

See section: B.1.5

Complies Partially complies Explain **Not applicable**

35. The remuneration policy approved by the Board includes the minimum following aspects:

- a) Amount of the fixed components, with a breakdown of the expenses per member of the Board and their fees and an estimate of the annual fixed remuneration provided, if appropriate;
- b) Variable remunerative concepts, including:
 - i) The types of directors to which they apply, as well as an explanation of the relevant percentage of the variable remunerative concepts compared to the fixed.
 - ii) Results evaluation criteria on which any right to remuneration in shares, share options or any variable component is based;
 - iii) Main parameters and basis of any annual bonus system or other non-cash benefits; and
 - iv) An estimate of the absolute amount of variable remuneration arising from the proposed remuneration plan, based on the degree of fulfilment of the reference premises or targets.
- c) Principal characteristics of the income security programs (for example, pension contributions, life-insurance and similar benefits), with an estimate of their amount and equivalent annual cost.

- d) Conditions that must apply to the contracts of those who hold senior management positions as well as executive directorships, which includes:
 - i) Duration;
 - ii) Notice periods; and
 - iii) Any other clauses relating to contract bonuses as well as compensation or payments for early cessation or termination of the contractual relationship between the company and the executive director.

See section: B.1.15

Complies Partially complies Explain

36. Remuneration in shares in the company or in group companies, share options or instruments referenced to the value of the stock, variable remuneration linked to the performance of the company, and income security programs are limited to executive directors.

This recommendation will not include the provision of shares when it is conditional upon directors to hold them until their departure as a director.

See sections: A.3, B.1.3

Complies Explain

37. The remuneration of external directors will be sufficient to compensate the dedication, qualifications and responsibility required for the position; but not so high as to compromise their independence.

Complies Explain

38. Remuneration related to the results of the company takes into account any reservations expressed in the external auditors report and that diminish such results.

Complies Explain Not applicable

39. In the case of variable remuneration, the remuneration policy incorporates the technical limits required to ensure that such remuneration remains in line with the professional performance of its beneficiaries and is not simply derived from the general evolution of the markets, the company's business sector or from other similar circumstances.

Complies Explain Not applicable

40. The Board submits a report on the remuneration policy of the directors as a separate point on the agenda to be voted on by the General Shareholders' Meeting, for consultation purposes. This report is made available to shareholders, either separately or in any other format that the company deems appropriate.

The report will place special emphasis on the remunerations policy approved by the Board for the current year as well as, if appropriate, the expectations for future years. It will include all the issues referred to in Recommendation 35, except in those cases that involve the disclosure of sensitive commercial information. It will emphasise the most significant changes in those policies compared to the policy applied during the year prior to which the General Meeting refers. It will also include an overall summary of how the remuneration policy was applied the previous year.

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

See section: B.1.16

Complies Partially complies Explain

41. The report details the individual remuneration of the directors during the year and includes:

- a) The individual breakdown of the remuneration for each director, which will include, if appropriate:
- i) The attendance expenses or other fixed remuneration as a director;
 - ii) Any additional remuneration as chairman or as a member of another committee of the Board;
 - iii) Any remuneration from profit-sharing or bonuses and the reason why they have been granted;
 - iv) Contributions to pension plans on behalf of the director; or the increase in the consolidated rights of the director when it relates to contributions to defined benefits plans;
 - v) Any compensation agreed or paid in the event of termination of duties;
 - vi) Remuneration received as a director of other companies in the group;
 - vii) Remuneration for carrying out senior management duties by executive directors;
 - viii) Any other remunerative concept other than the above, whatever its nature or the group entity that pays it, especially when it is considered as a related operation or if its omission distorts the true perception of the total remuneration received by the director.

- b) The individual breakdown of share awards, share options or any other instrument referenced to the value of the stock, to directors, detailing:
 - i) Number of shares or options granted for the year, and exercise conditions;
 - ii) Number of options exercised during the year, indicating the number of shares affected and the exercise price;
 - iii) Number of options unexercised at the end of the year, indicating their price, date and other exercise conditions;
 - iv) Any modification during the year of the exercise conditions of options already granted.
- c) Information about the relationship between the remuneration received by executive directors during the previous year and the results or other performance indicators of the company.

Complies Partially complies Explain

42. When there is a Delegate or Executive Committee (hereafter "Executive Committee"), its structure in relation to the participation of the different types of directors will be similar to that of the main Board and its Secretary will be the Secretary to the Board.

See sections: B.2.1 and B.2.6

Complies Partially complies Explain **Not applicable**

43. The Board is always aware of the issues and the decisions adopted by the Executive Committee and every member of the Board receives a copy of the minutes of the Committee's meetings.

Complies Explain **Not applicable**

44. In addition to the Audit Committee, under the Securities Market Act, the Board of Directors creates a committee (or two separate committees) for appointments and remuneration.

The rules regarding the composition and functioning of the Audit Committee and the committee(s) for appointments and remuneration form part of the Regulations of the Board of Directors and include the following:

- a) The Board appoints the members of these committees taking into account the knowledge, skills and experience of the directors and the objectives of each committee; it considers their proposals and reports; and they must report on their activities and the work carried out, at the first plenary session of the Board following their meetings;

- b) These committees are exclusively comprised of external directors, with a minimum of three. The foregoing does not exclude the attendance of executive directors or senior managers, when the members of the committee expressly agree to it.
- c) Their chairmen are independent directors.
- d) They have access to external advice when they deem it necessary to perform their duties.
- e) Their meetings are recorded in minutes and copies are sent to every Board member.

See sections: B.2.1 and B.2.3

Complies Partially complies Explain

45. Supervision of compliance with the internal codes of conduct and the rules of corporate governance is the responsibility of the Audit Committee, the Appointments Committee, or if separate, the committees for compliance and corporate governance.

Complies Explain

46. Members of the Audit Committee, and especially its chairman, are appointed taking into account their knowledge and experience in relation to accountancy, audit or risk management.

Complies Explain

47. Listed companies have an internal audit function that ensures the correct functioning of the information and internal control systems, supervised by the Audit Committee

Complies Explain

48. The manager of the internal audit function presents its annual work plan to the Audit Committee; it directly reports the incidents that occur; and it submits an activity report to it at the end of every year.

Complies Partially complies Explain

49. The risk management and control policy identifies a minimum of the following:

- a) The different types of risk (operational, technological, financial, legal, reputational...) that the company is subject to, including contingent liabilities and other off-balance sheet risks among the financial or economic risks;
- b) Determination of the risk level that the company considers acceptable;
- c) The measures planned to mitigate the impact of the identified risks in the event that they occur;
- d) The internal control and information systems that will be used to control and manage the aforementioned risks, including contingent liabilities or off-balance sheet risks.

See section: D

Complies Partially complies Explain

50. The following corresponds to the Audit Committee:

1. In relation to the internal control and information systems:

- a) Supervise the drafting process and the integrity of the financial information relating to the company and, as appropriate, to the group, ensuring compliance with regulatory requirements, the appropriate scope of consolidation and the correct application of accounting criteria.
- b) Periodically review the internal control and risk management systems so that the principal risks are identified, managed and appropriately recorded.
- c) Monitor the independence and the efficiency of the internal audit function; propose the selection, appointment, re-election and removal of the manager of the internal audit service; propose the budget for this service; receive periodic information about its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
- d) Establish and supervise a mechanism that allows employees to confidentially and, if appropriate, anonymously communicate potential irregularities, especially financial and accounting, which they may identify within the Company.

2. 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, are submitted to the Board of Directors.
- 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 it with a statement about the existence of disagreements with the outgoing auditor and the content of such disagreements if they exist.

- ii) That the company and the auditor follow the applicable regulations on the provision of services other than audit services, the limits on the concentration of business with an auditor and, in general, any other regulations established to ensure the independence of the auditors;
 - iii) That in the case of the resignation of the external auditor, to examine the circumstances that may have caused it.
- d) In the case of groups, encourage the group auditor to take responsibility for the audits of the companies that comprise it.

See sections: B.1.35, B.2.2, B.2.3 and D.3

Complies Partially complies Explain

51. The Audit Committee may summon any employee or manager of the company, including appearances without the presence of another manager.

Complies Explain

52. The Audit Committee notifies the Board, prior to it adopting the corresponding decisions, about the following issues indicated in Recommendation 8:

- a) The financial information that the company must periodically publish as a listed company. The Committee must ensure that the interim accounts are drafted using the same accounting criteria as the annual accounts, and therefore consider the appropriateness of a limited review by the external auditor.
- b) 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.
- c) Related operations, except if this prior reporting function is the responsibility of another supervision and control committee.

See sections: B.2.2 and B.2.3

Complies Partially complies Explain

53. The Board of Directors endeavours to present the accounts to the General Shareholders' Meeting without reservations or provisos in the audit report and that, in the exceptional cases that they exist, both the Chairman of the Audit Committee as well as the auditors clearly explain to the shareholders the content and scope of such reservations or provisos.

See section: B.1.38

Complies Partially complies Explain

54. The majority of the members of the Appointments Committee (or Appointments and Remuneration in the case of a single committee) are independent directors.

See section: B.2.1

Complies Explain Not applicable

55. In addition to the functions indicated in the preceding Recommendations, the following correspond to the Appointments Committee:

- a) Evaluate the skills, knowledge and experience required by the Board in order to define the abilities and functions required by candidates to cover each vacancy, and to assess the time and dedication required so that they can correctly carry out their function.
- b) Examine and organise, as required, 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.
- c) Notify the appointments and removals of senior managers proposed by the CEO to the Board.
- d) Inform the Board about the gender diversity issues indicated in Recommendation 14 of this Code.

See section: B.2.3

Complies Partially complies Explain Not applicable

56. The Appointments Committee consults the Chairman and CEO of the company, especially in relation to issues regarding executive directors.

And that any director can request the Appointments Committee to take into consideration potential candidates to cover any director vacancies, if he/she considers the candidate appropriate.

Complies Partially complies Explain Not applicable

57. In addition to the functions indicated in the preceding Recommendations, the following correspond to the Remuneration Committee:

- a) Propose to the Board of Directors:
 - i) The remuneration policy for directors and senior managers;
 - ii) The individual remuneration of executive directors and the other conditions in their contracts.

iii) The basic conditions of contracts for senior managers.

b) Ensure that the remuneration policy established by the Company is followed.

See sections: B.1.14, B.2.3

Complies Partially complies Explain Not applicable

58. The Remuneration Committee consults the Chairman and CEO of the company, especially in relation to issues regarding executive directors and senior managers.

Complies Explain Not applicable

G Other Useful Information

If you believe that there is any relevant principle or aspect relating to the corporate governance practices applied by your company that have not been included in this report, please comment on them and explain them below.

The table on the remuneration of each director for 2008 is attached as supplementary information to point B.1.11 and successive points:

A) Expenses for attendance and other remuneration as a director

Javier Molina Montes: €12,330
Manuel Barrenechea Guimón: €12,330
Manuel Alejandro Blanco Losada: €31,500
Rafael Escuredo Rodríguez: €31,500
Jorge Guarner Muñoz: €28,000
María José Rivero Menéndez: €31,500
Guadalupe Sundheim Losada: €17,500
Salvador Martos Hinojosa: €12,330

B) Remuneration as a member of the Board's committees

Javier Molina Montes: 0
Manuel Barrenechea Guimón: 0
Manuel Alejandro Blanco Losada: €24,500
Rafael Escuredo Rodríguez: €24,500
Jorge Guarner Muñoz: €10,500
María José Rivero Menéndez: €14,000
Guadalupe Sundheim Losada: 0
Salvador Martos Hinojosa: 0

C) Remuneration as a director of other companies in the Group

Javier Molina Montes: 0

Manuel Barrenechea Guimón: 0
Manuel Alejandro Blanco Losada: 0
Rafael Escuredo Rodríguez: 0
Jorge Guarner Muñoz: 0
María José Rivero Menéndez: 0
Guadalupe Sundheim Losada: 0
Salvador Martos Hinojosa: 0

D) Remuneration for senior management roles – Executive directors

Javier Molina Montes: €711,020
Manuel Barrenechea Guimón: €293,000
Manuel Alejandro Blanco Losada: 0
Rafael Escuredo Rodríguez: 0
Jorge Guarner Muñoz: 0
María José Rivero Menéndez: 0
Guadalupe Sundheim Losada: 0
Salvador Martos Hinojosa: 0

E) Totals

Javier Molina Montes: €723,350
Manuel Barrenechea Guimón: €305,330
Manuel Alejandro Blanco Losada: €56,000
Rafael Escuredo Rodríguez: €56,000
Jorge Guarner Muñoz: €38,500
María José Rivero Menéndez: €45,500
Guadalupe Sundheim Losada: €17,500
Salvador Martos Hinojosa: €12,330

Total: €1,254,510

You may include any other information, clarification or table in this section, related to the previous sections of the report.

Specifically, please indicate if the company is subject to legislation other than Spanish in relation to corporate governance and, if appropriate, include the information that must be provided and that is different to the information required by this report.

Binding definition of independent director:

Indicate if any of the independent directors has or has had any relation with the company, its significant shareholders or its managers, that due to its significance or importance would have disqualified the director from being considered as “independent” in accordance with the definition included in section 5 of the Unified Code of Good Governance:

Yes **No**

Name of the director	Type of relationship	Explanation
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This annual corporate governance report has been approved by the company's Board of Directors in its meeting of 23 February 2009

Indicate if any directors voted against or abstained in relation to the approval of this report.

Yes No

Name or corporate position of the director(s) that did not vote in favour to approve this report.	Reasons (opposition, abstention, not attending)	Explain the reasons
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