

Internal Code of Conduct in Stock Markets and Insider Trading Policy

The Internal Regulation of Conduct in the matter of Stock Market was initially approved by agreement of the Board of Directors of December 12, 2000 and modified by agreements of the Board of Directors of April 24, 2003 and June 22, 2004 and April 26, 2005.

This internal Code of Market Conduct was drafted in accordance with article 3 of Royal Decree 629/1993 of 3 May on standards of conduct for securities trading and compulsory registers.

It is the intent of the Board of Directors of Befesa Medio Ambiente, S.A. (together with its subsidiaries, the "Company") that the Company take an active role in the prevention of insider trading violations, and other violations of the national and/or foreign securities laws, by the Company's officers, directors, employees and other related individuals. This Insider Trading Policy (the "Policy") has been created and adopted to accomplish that intent. This Policy provides guidelines to employees, officers and directors of the Company with respect to transactions in the Company's securities.

I. Overview of the Insider Trading Prohibition

I.A. Prohibition.

Under national and foreign securities laws, it is unlawful for a person to buy or sell a company's securities while in possession of material, nonpublic information about that company (which is known as "insider trading"). It does not matter whether the person "uses" that information in deciding to make the trade; simply knowing the information when trading can be sufficient to violate the law. In addition, a person can be liable for disclosing this type of information to third parties (often referred to as "tipping") who then trade in the securities, even though the disclosing person does not engage in any securities transaction or profit from the third party's trade.

A company that fails to take appropriate steps to prevent such unlawful trading also is liable for insider trading.

1. Definition of Material Information.

There is no statutory definition of what type of information is “material,” and it is not possible to define all categories of material information. However, information should be regarded as material if there is a reasonable likelihood that it would be considered important to an investor in making an investment decision regarding whether to purchase, hold or sell the Company’s securities. It also includes any information that reasonably could affect the price of the Company’s securities.

While it may be difficult under this standard to determine whether particular information is material, there are various categories of information that are particularly sensitive and, as a general rule, should always be considered material. Examples of such information include, but are not limited to:

- Annual and quarterly earnings results that have not been announced;
- Significant changes in operating data that could impact future earnings;
- Projections of future earnings or losses;
- Changes in the Company’s dividend policy;
- Stock splits;
- Changes in management;
- Offerings of securities by the Company;
- Pending or proposed acquisitions or joint ventures;
- Disposition of a subsidiary;
- Impending bankruptcy or financial liquidity problems;
- Gain or loss of a substantial customer or supplier;
- Significant pricing changes;
- New product or service announcements of a significant nature; and
- Significant litigation exposure

Either positive or negative information may be material.

In the insider trading context, purchases and sales of securities are scrutinized after the fact, and regulators have the benefit of hindsight when they make judgments concerning the materiality of information.

2. Definition of Nonpublic Information.

Nonpublic information is information that has not been previously disclosed to the general public and is otherwise not available to the general public. Information is deemed public when it has been announced by the Company and the public has had sufficient time to receive and act upon it.

I.B. Penalties.

The stock markets supervisory agencies (Comisión Nacional del Mercado de Valores, in Spain, the United States Securities and Exchange Commission (“SEC”), the stock exchanges and the Nasdaq) use sophisticated electronic

surveillance techniques to uncover insider trading, and the SEC routinely investigates transactions by insiders in their companies' securities. Thus, Company insiders should assume that any transactions preceding the Company's announcement of a material event will be investigated. Any violation of law or our Policy, or even an investigation that does not result in prosecution, could be extremely embarrassing.

Individuals who trade while in the possession of material, nonpublic information can incur (i) a civil penalty of up to three times the profit gained or loss avoided, (ii) a criminal fine (no matter how small the profit) of up to \$5 million, and (iii) a jail sentence of up to 20 years. In addition, the Company may be liable if employees engage in insider trading. Individuals who engage in insider trading also may be liable to other purchasers or sellers of securities.

Insiders may also be liable for improper transactions by any person (commonly referred to as a "tippee") to whom they have disclosed material, nonpublic information regarding the Company or to whom they have made recommendations or expressed opinions on the basis of such information as to trading in the Company's securities. The SEC has imposed large penalties even when the disclosing person did not profit from the trading.

II. Company Policies against Insider Trading

II.A. Applicability of Policy.

1. Securities.

This Policy applies to all transactions in the Company's securities, including ordinary shares, options for ordinary shares, own shares and any other securities the Company may authorize and issue from time to time, which could include, but are not limited to, preferred shares, bonds, warrants and convertible debt securities. This Policy also applies to derivative securities relating to the Company's shares, whether or not issued by the Company, such as exchange-traded options.

2. Persons.

This Policy applies to all officers of the Company, all members of the Company's Board of Directors ("directors"), and all employees of, and consultants and contractors to, the Company, as well as to members of their immediate families and members of their households ("Insiders"). This Policy also applies to any person who receives material, nonpublic information from any Insider.

II:B. General Policy.

It is the Company's policy to oppose the unauthorized disclosure of any nonpublic information acquired in the workplace and the misuse of material, nonpublic information in securities trading.

III:C. Specific Policies.

1. Trading on Material, Nonpublic Information.

- a. No Insider shall engage in any transaction involving a purchase or sale of the Company's securities, including any offer to purchase or offer to sell, while in the possession of material, nonpublic information.
- b. No Insider shall engage in any purchase or sale of securities of a customer or supplier of the Company or of any other company about which the Insider possesses material, nonpublic information as a result of such Insider's affiliation with the Company.

2. Information disclosure

No Insider shall disclose ("tip") material, nonpublic information about the Company to any other person (including family members) if such information could be used by such person to his or her profit by trading in the securities of the Company. No Insider shall make recommendations or express opinions on the basis of material, nonpublic information as to trading in the Company's securities, even without disclosing any nonpublic information about the Company.

3. Confidentiality of Nonpublic Information.

Nonpublic information relating to the Company is the property of the Company. No Insider may make any unauthorized disclosure of nonpublic information, regardless of its materiality.

4. No Exceptions.

There are no exceptions to this Policy. Transactions that an Insider may independently consider necessary (for example, to meet an emergency cash need) are not exceptions to this Policy.

5. Compliance by Family Members.

Insiders are responsible for ensuring that members of their families and other persons living in their households also comply with this Policy.

6. Compliance with Established Procedures.

The Company has adopted the procedures set forth below to implement this Policy. The Company may revise such procedures from time to time. All Insiders shall follow the Company's procedures, as applicable, with respect to trading in the Company's securities.

III. Additional Policies with Respect to Trading in Company Securities

III.A. Prohibited Transactions.

The Company's policy is that Restricted Individuals and other employees shall not engage in short-term or speculative transactions in the Company's securities. Restricted Individuals and other employees may not (i) purchase Company securities on margin, (ii) engage in "short sales" (i.e., sales of securities not owned) or in "sales against the box" (i.e., sales of shares owned but not delivered against the sale) in transactions involving the Company's securities, or (iii) if trading of options in Company securities is commenced, buy or sell "puts" or "calls."

III.B. Restricted Transactions.

Any sales or other dispositions of Company securities inside the U.S. by persons who are "affiliates" of the Company must be made pursuant to a registration statement filed with the United States Securities and Exchange Commission ("SEC"), or in a manner consistent with an exemption from registration such as that provided under Rule 144 promulgated under the United States Securities Act of 1933 ("Rule 144"). "Affiliates" are defined as persons controlling, controlled by or under common control with the Company, and "control" is defined as the possession of the power to direct or cause the direction of the Company's management and policies. The Company believes that all directors and officers should consider themselves "affiliates" of the Company for this purpose and comply with the restrictions of Rule 144 when selling Company securities inside the U.S.

IV. Company Procedures for Securities Transactions

IV.A. Designation of Certain Individuals.

1. Restricted Individuals.

The Company may, at the proposal of the General Counsel, from time to time, designate non-officer employees whose responsibilities result in the possession by those employees of material, nonpublic information. Such persons, together with the company's officers and directors are "Restricted Individuals."

For the purposes of this Code, a distinction is made between two different stages in relation to relevant information: the preliminary stage and the disclosure stage.

Preliminary stage. During the stage when a transaction is being prepared or studied, which may culminate in a decision classified as relevant information, the following standards of conduct shall apply.

a) Confidentiality of information

At the proposal of the General Counsel, the Chairman may require certain employees, executive officers and directors to sign a confidentiality agreement to safeguard relevant information.

Such an agreement may refer to a specific operation or may be general in nature, as in the case of those who have access to potentially relevant information on an ongoing basis in the ordinary course of their work, owing to their position and duties within the Company.

At the time of publication of this Code of Market Conduct, the persons regulated under the provisions of this article, who are subject to an ongoing confidentiality requirement, are those included within the scope of application of this Code.

The confidentiality agreement may be a written document signed by the persons involved or recorded in the minutes of a meeting of the Board of Directors, indicating the confidential nature of the information and the fact that it is regulated under the provisions hereof.

b) Register of names

The Compliance Officer, responsible for implementing this Code, shall keep a register of the names of all those persons subject to a general or specific confidentiality requirement.

c) Custody procedures for “restricted information” and “sensitive information”

All persons regulated hereunder are responsible for the safe custody of restricted and sensitive information within their area of competence.

All officers holding positions of authority in Befesa shall implement the following regulations to safeguard information:

No electronic or printed copies shall be made of documents containing restricted or sensitive information, except those strictly necessary for the decision-making process (internal meetings). Officers of the Company shall not keep more than one copy of confidential documents in their files.

An appropriate internal protection device shall be in place to ensure that only authorised personnel have access to computer files containing restricted or sensitive information.

Document archives, where a single authorised copy of each document is filed, shall be kept under lock and key. The key shall be held by the authorised officer.

2. Compliance Officer.

For the purposes of this Code of Market Conduct, the implementation instrument shall be the Befesa's Legal Counsel Officer (the "Compliance Officer"). His duties shall include taking cognisance of, recording and following up on the information referred to herein.

The Befesa's Legal Counsel Officer shall hold all the powers necessary to carry out the duties assigned to him herein and shall be required to report to the Board of Directors on a periodic basis on the implementation of this Code and any incidents that arise in connection with it.

The Board of Directors of Befesa shall be empowered to appoint, at its discretion, some other person to perform the duties described herein and to exercise any of the functions assigned to the implementation.

IV.B. Mandatory Pre-Clearance for Trades by Officers, Directors, and Others.

Restricted Individuals must clear all their purchases and sales of Company securities in advance with the Trading Compliance Officer, or, in the case of a transaction by the Trading Compliance Officer, the Chairman of the Board of Directors. The only exception to this pre-clearance procedure is for the exercise of a stock option, but only if no shares are sold in the open market in connection with the exercise. The purpose of such pre-clearance is to confirm that the trade will be made in accordance with applicable laws and this Policy.

However, while pre-clearance is intended to confirm, among other things, that a Restricted Individual is not in possession of material, nonpublic information about the Company, pre-clearance does not represent an absolute determination of this fact. The Restricted Individual has the ultimate responsibility for affirming that he or she will not be in possession of material, nonpublic information about the Company at the time of his or her trade in the Company's securities.

IV.C. Permitted Time Periods for Trades by Restricted Individuals.

1. Trading Windows.

As used in this Policy, the term "Trading Window" means the period that begins on the third business day after the Company publicly releases quarterly or annual financial results, when company insiders are least likely to possess material, nonpublic information about a company, and extends until Restricted Individuals are likely to possess material, nonpublic information, up to a maximum of 20 business days.

2. Trades During Window Periods.

Assuming pre-clearance, Restricted Individuals may purchase or sell Company securities only during Trading Windows.

However, no person has an automatic or absolute right to trade in Company securities during a Trading Window. Even during a Trading Window, any person who possesses material, nonpublic information about the Company cannot trade in securities of the Company. This applies equally to Restricted Persons who may have received pre-clearance and to other Insiders who are not subject to the pre-clearance requirement. Trading in the Company's securities during the Trading Window should not be considered a "safe harbor," and all Insiders should use good judgment at all times.

IV.D. Suspensions.

From time to time, the Company's Trading Compliance Officer also may recommend that Insiders, including Restricted Individuals, suspend trading because of developments known to the Company and not yet disclosed to the public. Those individuals will be notified of such periods. The Trading Compliance Officer will notify affected Insiders of such event, and advise them not to engage in any transaction involving the purchase or sale of the Company's securities during such period and not to disclose to others the fact of the suspension of trading.

IV.E. Rule 144 Transactions.

All directors and officers should seek guidance from the Trading Compliance Officer in connection with sales or other dispositions of Company securities to determine whether a sale of securities would be deemed to occur inside the U.S. and possibly require compliance with the requirements of an exemption to registration such as that provided by Rule 144. The Company officer or director desiring to sell securities should be certain his or her securities broker is familiar with Rule 144, and can assist with the filing of Form 144, which should occur concurrently with the placing of the "sell order" with the broker. The broker is likely to request a copy of Form 144 and a Rule 144 representation letter. Such representation letters should be read carefully before they are signed to ensure that the representations made are accurate.

IV.F. Own Shares

In order to especially ensure that the operations carried out by the Company on the Company's own shares or on securities referenced thereto, subjected to what is established in this Code of Conduct, are not affected by a knowledge of Privileged Information, the following shall be applied to said persons, apart from what is established in this Code of Conduct:

The subjected persons that decide on operations on Company shares on their own behalf shall be communicated, in advance, to the Compliance Officer.

The persons referred to in the previous point shall punctually notify the Compliance Officer of the operations carried out on Company shares, indicating whether or not they had access to Privileged Information when taking the decisions.

The Compliance Officer may, at any time, request the information that is necessary in relation to the content and compliance with what is established in this section

V. Compliance

V.A. Duties of the Compliance Officer

The duties of the Compliance Officer include, but are not limited to, the following:

1. Pre-clearing all transactions involving the Company's securities by Restricted Individuals, in order to determine compliance with this Policy, insider trading laws and applicable laws.
2. Performing periodic cross-checks of available materials, which may include Forms, officers and director's questionnaires, and reports received from the Company's stock administrator and transfer agent, to determine trading activity by Restricted Individuals who have, or may have, access to material, nonpublic information.
3. Circulating this Policy (and/or a summary thereof) to all employees, including Restricted Individuals, and providing this Policy and other appropriate materials to new officers, directors and others who have, or may have, access to material, nonpublic information.
4. Updating this Policy as needed (i) to reflect changes in applicable laws, regulations and rules, and (ii) to cover new matters relating to the issuance of Company securities.
5. Assisting the Board of Directors in implementing this Policy.
6. Coordinating compliance activities with respect to this Policy and applicable Rules requirements with the Company's outside counsel.
7. When appropriate, consulting with counsel with regard to suspension of trading of the Company's securities because of developments known to the Company and not yet disclosed to the public.

V.B. Duties of Company Insiders.

1. Individual Responsibility.

The Company considers it extremely important that all Insiders conduct themselves in a manner consistent with this Policy. Each director, officer and employee is responsible for his or her compliance with this policy and the related procedures, and the Company will endeavor to answer any questions employees may have regarding this subject. Appropriate judgment should always be exercised in connection with any trade in the Company's securities. An Insider may, from time to time, have to forego a proposed transaction in the Company's securities even if he or she planned to make the transaction before learning material, nonpublic information and even though the Insider believes he or she may suffer an economic loss or forego anticipated profit by waiting.

All trading in Befesa's securities listed on regulated markets by persons regulated hereunder for their own personal account shall be reported by them to the Board of Directors through the implementation instrument established in article 8 below within 15 working days from the time of the acquisition or transfer or within 15 working days from the date they become incorporate.

The communications referred to in point 6.1. above shall also include all securities bought or sold by:

- Their spouse, except when such transfer or acquisition affects only the separate estate of the spouse.
- By children in their custody.
- By companies in which they have a controlling interest.
- Through intermediaries.

The acquisition of securities also covers the acquisition of share warrants, bonds convertible in shares and any other such rights on the Company's securities.

This reporting requirement does not extend to transactions arranged without the intervention of persons regulated hereunder by entities to which such persons entrust the management of their securities portfolio on an ongoing basis.

2. Certifications.

Directors and certain officers and employees will be required to certify periodically that they understand and intend to comply with this Policy.

Any person who becomes subject to this Code shall also receive a copy of the document and any amendments thereto and sign the corresponding receipt.

3. Possible Disciplinary Actions.

Failure to comply with the rules and regulations established in this Code which give effect to the provisions of the Securities Market Law, the Code of Conduct and securities trading standards, may give rise to an administrative sanction, without prejudice to their application in accordance with labour legislation.

Employees of the Company who violate this Policy will also be subject to disciplinary action by the Company, which may include ineligibility for future participation in the Company's equity incentive plans or termination for cause.

4. Obtaining Guidance.

If an Insider is in doubt as to whether information is material or has been made public, he or she should not trade in the Company's securities, and may obtain additional guidance from the Company's Trading Compliance Officer. However, the responsibility for compliance with our Policy rests with each individual.

The present version of the **Internal Code of Conduct in Sotck Markets and Insider Trading Policy** was approved in the Board Directors meeting of 26th of April, 2005