

# Report on Corporate Governance



2005



## Annual corporate governance report

### Listed Companies

Issuer identification data year 2005

Tax ID A08001851

### Name:

ACCIONA, S.A.

### Business Address:

Avda. de Europa nº 18  
Parque Empresarial "La Moraleja"  
Alcobendas  
28108 Madrid  
Spain

# Annual corporate governance report form for listed companies

## A. Ownership structure

### A.1. Share capital:

Date of last change	Share capital (€)	Number of shares
18-05-2000	63.550.000,00	63.550.000

#### State below if there are different classes of shares:

There are no different classes of shares.

### A.2. Direct and indirect owners of significant stakes in ACCIONA at year-end, excluding directors

Name of shareholder	Number of direct shares	Number of indirect shares (*)	% of share capital
GRUPO ENTRECANALES, S.A.	36,008,388	1,923,577	59.688

(\*) Through:

Name of direct owner of stake	Number of direct shares	% of share capital
TIVAFEN, S.A	1,178,646	1.855
SERVICIOS URBANOS INTEGRALES, S.A.	744,931	<b>1.172</b>
<b>Total</b>	<b>1,923,577</b>	

#### Indicate the most significant changes in shareholder structure during the year:

There were no significant changes.

### A.3. Members of ACCIONA's board of directors who own shares in the company:

Name of director	Date of first appointment	Date of lastest appointment	Number of direct shares	Number of indirect shares (*)	% of share capital
Entrecanales Domecq, José Manuel	14-04-1997	25-05-2002	0	6.142	0.010
Espinosa de los Monteros y Bernaldo de Quirós, Carlos	29-06-1994	24-05-2003	1,400	0	0.002
Gamazo y Hohenlohe, Germán	23-01-1985	24-05-2003	1,200	0	0.002
Urgoiti y López-Ocaña, Juan Manuel	14-04-1997	24-05-2003	2,150	0	0.003
Morrás Andrés, Esteban	10-02-2005	12-05-2005	2,000	0	0.003

(\*) Through:

Name of direct owner of stake	Number of direct shares
AGROPECUARIA EL CIJARAL, S.L.	6,142
<b>Total</b>	<b>6,142</b>
Total % of share capital owned by the board of directors::	0.020

### Name the directors with rights to shares of the company:

No directors own rights to shares of the company.

### A.4. Family, commercial, contractual or corporate relationships among owners of significant stakes that are known to the company, unless they are insignificant or are derived from ordinary commercial transactions:

Names of related parties	Type of relationship	Brief description
GRUPO ENTRECANALES, S.A.	Family	All the shareholders of GRUPO ENTRECANALES, S.A. are connected by family ties.

**A.5. Commercial, contractual or corporate relationships between owners of significant stakes and the company, unless they are insignificant or are derived from ordinary commercial transactions:**

<u>Names of related parties</u>	<u>Type of relationship</u>	<u>Brief description</u>
Entrecanales Domecq, José Manuel	Corporate	Chairman of the board of directors
Entrecanales Franco, Juan Ignacio	Corporate	Vice-chairman of the board of directors
Entrecanales de Azcárate, José María	Corporate	Chairman of honour and member of the board of directors
NEXOTEL ADEJE, S.A.	Corporate	Nexotel Adeje, S.A.'s corporate purpose is to build and subsequently manage a hotel in Adeje (Tenerife). That company is owned one-third each by ACCIONA INMOBILIARIA, S.A a company in the vincci group and a number of parties who are shareholders of grupo Entrecanales, S.A.
Entrecanales de Azcárate, Juan	Corporate	Vocal del Consejo de Administración

**A.6. Shareholders' agreements that have been notified to the company:**

<u>Persons involved in shareholders' agreements</u>	<u>% of share capital affected</u>	<u>Brief description of agreement</u>
	0.000	See note on this section in section G

**Indicate any agreements for concerted action between the company's shareholders that are known to the company:**

The company is not aware of any agreements for concerted action between the company's shareholders.

**Expressly indicate any changes or severances in the year of such shareholder agreements or concerted action.**

There were no changes or severances of such shareholders agreements or concerted action during the year.

## A.7. Individual or legal entity that exercises or can exercise control over the company in accordance with article 4 of the Securities Market Law:

Name

GRUPO ENTRECANALES, S.A.

Comments

NO SHAREHOLDER OF GRUPO ENTRECANALES, S.A. OWNS MORE THAN 15% OF THE LATTER..

## A.8. Own shares:

At year-end:	Number of direct shares	Number of indirect shares (*)	% of share capital
	346,101	0	0.545

(\*) Through:

Name of direct owner of stake	Number of direct shares
Total:	

## Detail the significant changes in the year, in accordance with Royal Decree 377/1991:

Date	Number of direct shares	Number of indirect shares	% of share capital:
Results of transactions with own shares in the year (thousand euro): 0			

## A.9. Conditions and terms of the authorisation that the shareholders' meeting has given to the board of directors to buy or sell the own shares described in section A.8.

On 12 May 2005, the Shareholders' Meeting adopted the following resolution:

Authorise the acquisition on the secondary market of shares of the company by the company itself and by companies in its group, both directly and indirectly by acquiring the capital of companies holding shares of Acciona, S.A., subject to the legal limits and requirements and the conditions established below, and revoking the authorisation granted by the Shareholders' Meeting on 26 April 2004:

- Form: purchase, swap, loan, or accord and satisfaction.
- Maximum number of shares to be acquired: up to 5% of capital stock
- Maximum and minimum prices: 15% above or below the closing price in the last market trading session.
- Term of the authorisation: eighteen (18) months from the date of this resolution.

## A.10. Legal or bylaw restrictions on the exercise of voting rights or any legal restrictions on the acquisition or sale of stakes in share capital:

There are no such restrictions.

## B. Structure of the company's administration

### B.1. Board of Directors

#### B.1.1. Minimum and maximum number of directors envisaged in the Bylaws:

Maximum number of directors: 18

Minimum number of directors: 3

#### B.1.2. Members of the Board of Directors:

Name of director	Board position	Date of first appointment	Date of latest appointment	Type of appointment
Entrecanales Domecq, José Manuel	Chairman	14-04-1997	25-05-2002	Shareholders' meeting
Entrecanales Franco, Juan Ignacio	Vice-chairman	14-04-1997	25-05-2002	Shareholders' meeting
Urgoiti y López-Ocaña, Juan Manuel	Vice-chairman	14-04-1997	24-05-2003	Shareholders' meeting
Entrecanales de Azcárate, José María	Director	14-04-1997	25-05-2002	Shareholders' meeting
Entrecanales de Azcárate, Juan	Director	14-04-1997	25-05-2002	Shareholders' meeting
Echevarría Busquet, Alejandro	Director	29-06-1994	19-05-2001	Shareholders' meeting
Espinosa de los Monteros y Bernaldo de Quirós, Carlos	Director	29-06-1994	24-05-2003	Shareholders' meeting
Gamazo y Hohenlohe, Germán	Director	23-01-1985	24-05-2003	Shareholders' meeting
Garel-Jones, Tristan	Director	29-06-1999	12-05-2005	Shareholders' meeting
Montoya Moya, Valentín	Director	19-05-2001	19-05-2001	Shareholders' meeting
Morrás Andrés, Esteban	Director	10-02-2005	12-05-2005	Co-option

Total number of directors: 11

## Removal of directors in the period:

Name of director	Date removed
Soto Ibáñez, Vicente	10-02-2005

## B.1.3. Board members and their status:

### EXECUTIVE DIRECTORS

Name of director	Committee that proposed the appointment	Position in the company
Entrecanales Domecq, José Manuel	Appointments and remuneration	Chairman
Entrecanales Franco, Juan Ignacio	Appointments and remuneration	Vice-chairman
Morrás Andrés, Esteban	Appointments and remuneration	Director
Montoya Moya, Valentín	Appointments and remuneration	Director

### EXTERNAL PROPRIETARY DIRECTORS

Name of director	Committee that proposed the appointment	Name of the significant shareholder who is represented or who proposed the appointment
Entrecanales de Azcárate, José María		GRUPO ENTRECANALES, S.A.
Entrecanales de Azcárate, Juan		GRUPO ENTRECANALES, S.A.

### EXTERNAL INDEPENDENT DIRECTORS

Name of director	Committee that proposed the appointment	Profile
Urgoiti y López-Ocaña, Juan Manuel	Appointments and remuneration	Graduate in law. Worked first at Banco de Vizcaya, where he attained the position of CEO, and was subsequently CEO of BBV. Former chairman of Ahorrobank, Banco de Crédito Canario and Banco Occidental. Chairman of Ibys, A.A. and Laboratorios Delagrangue, S.A. Director of Antibióticos, S.A. currently chairman of Banco Gallego, director of Inditex member of the European Advisory Board de Citigroup Global Market. Chairman of the Royal Board of Trustees of the Queen Sofia National Art Centre and member of the Royal Boards of Trustees of the Prado Museum and the Spanish National Library.

(Cont.) EXTERNAL INDEPENDENT DIRECTORS

Echevarría Busquet, Alejandro	Appointments and remuneration	Graduate in business studies. Former CEO of the Correo Group from 1980 to february 2001; chairman of AEDE. Currently chairman of Telecinco; director reporting to the chairman at Vocento, and chairman of the Círculo de Empresarios Vascos. He is also a director of Tubacex, S.A. and of Compañía Vinícola del Norte de España, S.A.
Gamazo y Hohenlohe, Germán	Appointments and remuneration	Economist, former vice-president of Bankers Trust Company of New York, Continental Illinois Bank, and chairman of Komatsu España.
Garel-Jones, Tristan	----	Conservative member of the UK parliament from 1979 to 1997, holding a number of ministerial portfolios, including minister of state for Europe. Managing director of UBS and director of Vodafone España and of Iberia.
Espinosa de los Monteros y Bernaldo de Quirós, Carlos	Appointments and remuneration	Lawyer, graduate in business (ICADE) and civil service commercial expert and economist. Former vice-chairman of INI and chairman of Iberia and Aviaco. Chairman of Círculo de Empresarios. Currently chairman and CEO of Daimlerchrysler España, S.A., and chairman of González Byass S.A. and la fraternidad Mutua de Accidentes de Trabajo. Director of Inditex.

OTHER EXTERNAL DIRECTORS

Name of director	Committee that proposed the appointment
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There are no other external directors.

**Corresponding between the the status of the directors in the preceding section and the composition envisaged in the Board Regulation:**

No se han producido variaciones durante el periodo en la tipología de cada consejero.

#### B.1.4. Corresponding between the the status of the directors in the preceding section and the composition envisaged in the Board Regulation:

In accordance with the Board of Directors Regulation, executive directors are proprietary directors with management responsibilities, in which case they are considered as executive proprietary directors. José Manuel Entrecanales Domecq and Juan Ignacio Entrecanales Franco fall under this heading. Also, in accordance with the Regulation, managing directors are directors designated for the position exclusively based on their managerial position at Acciona, S.A. or group companies. Valentín Montoya Moya and Esteban Morrás Andrés fall under this heading.

#### B.1.5. Powers delegated to the managing directors:

Name of director	Brief description
Entrecanales Domecq, José Manuel	All those of the board of directors, except those whose delegation is prohibited by law, on a joint and several basis
Entrecanales Franco, Juan Ignacio	All those of the board of directors, except those whose delegation is prohibited by law, on a joint and several basis

#### B.1.6. Board members with administration or management positions in other companies that form part of the listed company's group:

Name of director	Name of the group's subsidiary	Position
Entrecanales Domecq, José Manuel	ACCIONA ENERGÍA, S.A.	Representative of a company which is the sole administrator
Entrecanales Domecq, José Manuel	COPANE VALORES, S.L.	Representative of a company which is the sole administrator
Entrecanales Domecq, José Manuel	TIBEST CUATRO, S.A.	Representative of a company which is the sole administrator
Entrecanales Domecq, José Manuel	ACCIONA INFRAESTRUCTURAS, S.A.	Director
Entrecanales Domecq, José Manuel	INFILCO, S.A.	Chairman
Entrecanales Domecq, José Manuel	BESTINVER, S.A.	Representative of a company which is the sole administrator
Entrecanales Franco, Juan Ignacio	ACCIONA INFRAESTRUCTURAS, S.A.	Chairman
Entrecanales Franco, Juan Ignacio	ALTAI GESTIÓN, S.A.	Director
Entrecanales Franco, Juan Ignacio	BESTINVER, S.A.	Representative of a company which is the sole administrator
Entrecanales Franco, Juan Ignacio	ALTAI HOTELES, S.L.	Director
Entrecanales Franco, Juan Ignacio	IBÉRICA DE ESTUDIOS E INGENIERÍA, S.A.	Chairman
Entrecanales Franco, Juan Ignacio	ALTAI HOTELES CONDAL, S.L.	Director
Montoya Moya, Valentín	ENTIDAD EFINEN, S.A.	Director
Montoya Moya, Valentín	ANTIGUA BODEGA COSME PALACIO, S.L.	Chairman
Montoya Moya, Valentín	BESTINVER GESTIÓN, S.A.	Chairman

(Cont.) B.1.6.

Montoya Moya, Valentín	BESTINVER PENSIONES, S.A.	Director
Montoya Moya, Valentín	BODEGAS PALACIO, S.A.	Director
Montoya Moya, Valentín	ACCIONA ENERGÍA, S.A.	Representative of a company which is a director
Montoya Moya, Valentín	CORPORACIÓN EXPLOTACIONES Y SERVICIOS, S.A.	Director
Montoya Moya, Valentín	DREN, S.A.	Chairman
Montoya Moya, Valentín	ETIME FACILITIES, S.A.	Director
Montoya Moya, Valentín	FINANZAS DOS, S.A.	Director
Montoya Moya, Valentín	HIJOS DE ANTONIO BARCELÓ, S.A.	Director
Montoya Moya, Valentín	INANTIC, S.A.	Director
Montoya Moya, Valentín	PACKTIVITY, S.A.	Director
Montoya Moya, Valentín	SILENO, S.A.	Director
Montoya Moya, Valentín	TICTRES, S.A.	Director
Montoya Moya, Valentín	TRASMEDITERRÁNEA, S.A.	Director
Morrás Andrés, Esteban	SOLUCIONES MECÁNICAS Y TECNOLÓGICAS, S.L.	Representative of a company which is the sole administrator
Morrás Andrés, Esteban	INICIATIVAS ENERGÉTICAS RENOVABLES, S.A.	Director
Morrás Andrés, Esteban	ENERGÍAS ALTERNATIVAS DE TERUEL, S.L.	Director
Morrás Andrés, Esteban	SIERRRA DE SELVA, S.L.	Representative of a company which is the sole administrator
Morrás Andrés, Esteban	EÓLICA DE RUBIO, S.L.	Representative of a company which is the sole administrator
Morrás Andrés, Esteban	DESARROLLO DE ENERGÍAS RENOVABLES DE NAVARRA, S.A.	Representative of a company which is joint administrator
Morrás Andrés, Esteban	ACCIONA ENERGÍA, S.A.	Managing director
Morrás Andrés, Esteban	ACCIONA ENERGÍA INTERNACIONAL, S.A.	Representative of a company which is the sole administrator
Morrás Andrés, Esteban	ACCIONA BIOCMBUSTIBLES, S.A.	Director
Morrás Andrés, Esteban	BIOCARBURANTE DE CATALUNYA, S.A.	Director
Morrás Andrés, Esteban	BIODIESEL CAPARROSO, S.L.	Representative of a company which is the sole administrator
Morrás Andrés, Esteban	ALABE SOCIEDAD DE COGENERACIÓN, S.A.	Chairman
Morrás Andrés, Esteban	ACCIONA WINDPOWER, S.A.	Representative of a company which is the sole administrator
Morrás Andrés, Esteban	ACCIONA EÓLICA DE GALICIA, S.A.	Chairman
Urgoiti y López-Ocaña, Juan Manuel	ACCIONA INFRAESTRUCTURAS, S.A.	Director

**B.1.7. Company directors who are members of the board of directors of other companies listed on Spanish official stock markets, other than the company, that have been notified to the company:**

<u>Name of director</u>	<u>Listed company</u>	<u>Position</u>
Urgoiti y López-Ocaña, Juan Manuel	INDITEX, S.A.	Director
Garel-Jones, Tristan	IBERIA LÍNEAS AÉREAS DE ESPAÑA, S.A.	Director
Espinosa de los Monteros y Bernaldo de Quirós, Carlos	INDITEX, S.A.	Director
Echevarría Busquet, Alejandro	TELECINCO, S.A.	Chairman
Echevarría Busquet, Alejandro	TUBACEX, S.A.	Director
Echevarría Busquet, Alejandro	COMPAÑÍA VINÍCOLA DEL NORTE DE ESPAÑA, S.A.	Director

**B.1.8. Aggregated remuneration of directors accrued in the year:**

a) In the company to which this report refers:

<u>Remuneration item</u>	<u>Thousand euro</u>	<u>Other benefits</u>	<u>Thousand euro</u>
Fixed remuneration	1,951	Advances	0
Variable remuneration	1,176	Loans granted	0
Per diems	0	Pension funds and plans: Contributions	0
Bylaw-mandated remuneration	0	Pension funds and plans: Obligations	0
Stock options and/or other financial instruments	0	Life insurance premiums	0
Other	0	Guarantees granted by the company to directors	0
<b>Total</b>	<b>3,127</b>		

b) Company directors who belong to the boards of directors and/or senior management of group companies:

Remuneration item	Thousand euro	Other benefits	Thousand euro
Fixed remuneration	188	Advances	0
Variable remuneration	150	Loans granted	0
Per diems	7	Pension funds and plans: Contributions	0
Bylaw-mandated remuneration	0	Pension funds and plans: Obligations	0
Stock options and/or other financial instruments	0	Life insurance premiums	0
Other	0	Guarantees granted by the company to directors	0
<b>Total</b>	<b>345</b>		

c) Total remuneration by type of director:

Type of director	By company	By group
Executive	2,427	345
External and proprietary	100	0
External and independent	600	0
Other external	0	0
<b>Total:</b>	<b>3,127</b>	<b>345</b>

d) Regarding profit attributable to the parent company:

Total directors' remuneration (in thousand euro):	3,472
Total directors' remuneration/profit attributed to the parent company (%):	1,070

### B.1.9. Senior managers who are not executive directors and the total remuneration accrued to them in the year:

Name	Position
Javier de Mendizabal Castellanos	General Manager of Institutional Relations and Marketing, ACCIONA
Rafael Montes Caracuel	General Manager of Human Resources and Organisation ACCIONA
Manuel Nuevo Galeazo	General Manager of Purchases and Corporate Services ACCIONA
Jose Enrique Alonso Ferrer	General Manager ACCIONA INFRASTRUCTURE
Juan Andrés Saez Elegido	General Manager ACCIONA LOGISTIC & AIRPORT SERVICES
Gloria Alonso Martínez	General Manager Finance ACCIONA
Carmen Becerril Martínez	General Manager Corporate Development
Miguel Angel Fernández Villamandos	General Manager Corporate Development
Juan Gallardo Cruces	General Manager Finance ACCIONA
Juan Muro Lara Girod	General Manager of the Chairman's Dept. ACCIONA
Jose Luis Pérez Maeso	General Manager, Corporate Development
Vicente Santamaría de Paredes Castillo	General Manager Legal ACCIONA
Jesús Alcázar Viela	General manager Construction Eastern Spain ACCIONA INFRASTRUCTURE
Juan Pedro Alonso Salmerón	General Manager Construction, international, acciona infrastructure
Javier Ducay Real	General Manager Económico Financiera ACCIONA INFRAESTRUCTURAS
José María Farto Paz	General Manager Construction, Galicia, ACCIONA INFRASTRUCTURE
Joaquín Gómez Díaz	General Manager Studies and Bidding, ACCIONA INFRASTRUCTURE
Pedro Martínez Martínez	General Manager Construction, Western Spain, ACCIONA INFRASTRUCTURE
Javier Pérez-Villaamil Moreno	General Manager, Construction, Central Spain, ACCIONA INFRASTRUCTURE
Domingo Vegas Fernández	General Manager concessions, ACCIONA INFRASTRUCTURE
Luis Carlos Cuevas Puerta	General Manager ACCIONA REAL ESTATE
Fermín Gembero	General Manager ACCIONA ENERGY
Alberto de Miguel	General Manager Corporate Development, ACCIONA ENERGY
Jaime Solé Sedo	General Manager Power Generation, ACCIONA ENERGY
Pedro Ruiz Osta	General Manager ACCIONA WIND POWER
Rui Marques	General Manager TRASMEDITERRANEA
Carlos Navas García	General Manager ACCIONA AIRPORT SERVICES
Francisco de Álvaro Reguera	General Manager ACCIONA URBAN & ENVIRONMENTAL SERVICES

Remuneración total alta dirección (en miles de euros): 7.956

**B.1.10. Guarantee or "golden handshake" clauses in favour of senior management members, including executive directors, of the company or its group for the event of dismissal or change of control. Indicate whether these contracts have to be notified to and/or approved by the company's or group's bodies::**

Number of beneficiaries: 8

Is the Shareholders' Meeting informed of the clauses? YES      NO  X

**B.1.11. Process to establish the remuneration for board members and the corresponding bylaw clauses.**

Article 31.2 of the Bylaws establishes that the Board of Directors is entitled to 5% of profit each year after making allocations to the items referred to in paragraphs 1, 2 and 3 of article 47.2 of the Bylaws, unless the Shareholders' Meeting, at the proposal of the Board of Directors, determines a smaller percentage when it approves the financial statements.

Directors' remuneration is distributed in the proportion as resolved by the Board.

Article 56 of the Board Regulation establishes that the Board of Directors must determine the directors' remuneration regime within the framework established by the Bylaws.

The decision shall be based on a report on the subject issued by the Appointments and Remuneration Committee.

The Board of Directors must ensure that directors' remuneration is moderate and in line with the market rate at companies of a similar size and activity, favouring regimes which link a significant part of the remuneration to dedication to ACCIONA.

The remuneration regime must allocate analogous remuneration to similar functions and dedication.

The remuneration of proprietary directors for their duties as director must be in proportion to that received by other directors, and must not represent special treatment regarding the remuneration of the shareholder who proposed their appointment.

Remuneration of executive directors derived from their membership of the Board of Directors must be compatible with other professional or occupational remuneration they receive for the executive or consultancy functions they undertake at Acciona, S.A. or in its group.

Directors' remuneration must be transparent.

The amount of remuneration received by each director must be detailed in the Annual Report and itemised by type, including the delivery or allocation of shares, stock options or systems referenced to the share value.

An exception, remuneration received by executive directors for their professional dedication as executives of Acciona and its group may be disclosed in the Annual Report in aggregate form, in line with the provisions of Article 57 of the Regulation and without prejudice to compliance with the Law at all times.

Acciona may arrange director liability insurance and a director pension system.

Remuneration 2005.- The total remuneration paid to the Board of Directors for discharging its duty as the company's governing body was 900,000 euro.

This amount is broken down as follows:

50,000 euro for membership of the Board of Directors.

50,000 euro for membership of the Executive Committee.

25,000 euro for membership of the Audit Committee.

25,000 euro for membership of the Appointments and Remuneration Committee.

Those amounts are the same as in 2004. The three executive directors who are members of the executive committee did not receive any remuneration for their membership of that committee as it was considered to be included in the remuneration for their professional services as directors.

### **B.1.12. Identity of board members who are also members of the board of directors or executives of companies with significant stakes in the listed company and/or in entities of its group:**

Name of director	Name of significant shareholder	Positions
Entrecanales de Azcárate, José María	GRUPO ENTRECANALES, S.A.	Director
Entrecanales de Azcárate, Juan	GRUPO ENTRECANALES, S.A.	Director
Entrecanales Domecq, José Manuel	GRUPO ENTRECANALES, S.A.	Director
Entrecanales Franco, Juan Ignacio	GRUPO ENTRECANALES, S.A.	Director

**Detail any significant relations, other than those disclosed in the preceding item, between directors and the significant shareholders and/or entities in their group:**

The company has no knowledge of significant relations, other than those disclosed above, between the members of the Board of Directors and the significant shareholders and/or entities in their group .

**B.1.13. Amendments to the board regulation in the year.**

There were no amendments to the Board of Directors Regulation in 2005. The wording currently in force was approved by the Board of Directors on 25/03/2004, and the text is available on the company's web site.

**B.1.14. Procedure for appointing, re-appointing, assessing and removing directors. Indicate the competent bodies, the process and the criteria for each procedure.**

Directors are appointed by the Shareholders' Meeting, except when they are co-opted by the Board of Directors in order to fill a vacancy and when they are appointed by shareholders exercising their right to proportional representation.

The Board of Directors must respect the Regulation when proposing the appointment of directors to the Shareholders' Meeting and when deciding the co-options made by the Board of Directors.

The Board of Directors must include proprietary, independent and executive directors.

The Board of Directors must ensure its composition reflects a dual balance: between proprietary, executive and independent directors on the one hand, and between executive and external directors on the other hand.

Prior to the Board of Directors' approval of the proposal to the Shareholders' Meeting or an appointment by co-option, it must request and consider, but need not abide by, the opinion of the Appointments and Remuneration Committee.

When the Board departs from the recommendations of the Appointments and Remuneration Committee, it must state the reasons for doing so and duly record them in the minutes.

The Appointments and Remuneration Committee must also advise the Board of Directors on the reappointment of directors.

In its recommendation, the Appointments and Remuneration Committee must evaluate the quality of work and dedication to duties during the director's term.

The Board of Directors must ensure that independent directors who are reappointed are not assigned to the same Committee, except where the tasks in hand or other reasons make it advisable for them to remain in the same Committee.

Directors cease to hold office:

- by their own decision, at any time.
- when required by the Shareholders' Meeting in exercise of its legally granted authority; or
- when, following expiration of the term for which they were elected, the next Shareholders' Meeting is held or the legal deadline for holding the next Shareholders' Meeting has passed.

Directors must also tender their resignation to the Board of Directors and, if the latter deems it appropriate, resign in the cases stated in section B.1.15.

In 2005, the Committee issued reports in connection with the proposed appointment and re-appointment of directors Mr. Morrás Andrés and Lord Garel-Jones.

### **B.1.15. Cases where directors are obliged to resign.**

Directors must also tender their resignation to the Board of Directors and, if the latter deems it appropriate, resign in the following cases:

- a) In the case of proprietary directors, when the reasons for which they were appointed no longer apply; this is understood to be the case when the entity or business group they represent ceases to hold a significant stake in the capital of Acciona, or when said entity or corporate group requests their replacement as director.
- b) In the case of independent directors, if they join the executive ranks of Acciona or any of its subsidiaries, or when, for another reason, they fulfil one of the conditions detailed in Article 10.5 of the Board of Directors, which renders them unfit to be independent directors, except where the Board of Directors exercises the powers envisaged in Article 10.6.
- c) In the case of executive directors, when they cease to hold the executive post which led to their appointment as directors.
- d) When they fulfil any of the conditions of incompatibility or prohibition envisaged in the Law or this Regulation.
- e) When they have been reprimanded by the Audit Committee for a serious breach of any of their obligations as director.
- f) When their presence on the Board might affect the credit or reputation of Acciona and its group in the market or jeopardise their interests in any other way.

**B.1.16. Is it possible for the position of the company's chief executive to be held by the chairman of the board, and what measures have been taken to limit the risk of accumulating powers in a single person?**

Yes, the function of company chief executive is performed by the chairman of the board.

**Measures to limit risks**

The decisions and powers that correspond to both the Board of Directors and the Committees, and the existence of an Executive Committee, are considered to be adequate measures to limit the risks of a single person accumulating power.

**B.1.17. Is a supermajority, other than the legal majority, required in some decisions?:**

No, special majorities other than those provided by law are not required.

**Procedure for adoption of resolutions by the board of directors, stating at least the quorum and type of majority required to adopt resolutions:**

**Adoption of resolutions**

Description of resolution

- 1) Permanent delegation of its powers to an Executive Committee or to one or more CEOs, and the appointment of the Board members who will hold those offices.
- 2) The other Board of Directors resolutions.

**Quorum**

For no. 2), half plus one of the number of directors established by the Shareholders' Meeting, even if that number had not been fully covered or vacancies arise subsequently

**Type of majority**

- 1) two-thirds of the number of directors established by the Shareholders' Meeting, even if that number had not been fully covered or vacancies arise subsequently.-
- 2) Absolute majority of the directors present or represented by proxy. In the event of a tie, the Chairperson or the person in his/her place has a casting vote.

**B.1.18. Specific requirements, other than those relating to directors, for appointing the board chairman.**

There are no specific requirements for appointment as chairman, other than those applicable to directors.

**B.1.19. Chairman's casting vote, and issues where he/she has a casting vote:**

Yes, the chairman has a casting vote.

**Issues on which there is a casting vote**

Resolutions must be adopted by an absolute majority of the Board members present and represented. In the event of a tie, the Chairperson or the person in his/her place has a casting vote, as provided in article 37 of the bylaws.

**B.1.20. Indicate if the bylaws or board regulation establish an age limit for directors:**

Neither the bylaws nor the board regulation establish age limits for directors.

**B.1.21. Do the Bylaws or Board Regulation establish term limits for independent directors?:**

Neither the bylaws nor the board regulation establish term limits for independent directors.

**B.1.22. Indicate whether there are formal processes for delegating votes in the board of directors.**

The Board Regulation establishes that directors must attend Board meetings although, as an exception, the Chairperson may authorise the participation of directors by videoconference, telephone or any other telecommunication media which enables unequivocal identification of the director and maintains the confidentiality of the discussions. In such cases, directors who so participate in the meeting shall be taken to be present.

If directors cannot attend in person, which must only occur for specially-justified reasons, and cannot attend via distance communication media, the director must grant a proxy to another member of the Board and, where possible, issue appropriate voting instructions. The proxy must be formalised by letter or by any other written media which the Chairperson judges duly establishes the proxy.

**B.1.23. Number of Board meetings during the year, and number which were not attended by the Chairman:**

Number of board meetings	9
Number of board meetings without the presence of the Chairman	0

**Number of meetings held by board committees in the year:**

Number of executive or advisory committee meetings:	4
Number of meetings held by the Audit Committee	9
Number of meetings held by the Appointments and Remuneration Committee	2
Number of meetings held by the Strategy and Investment Committee	0
Number of meetings held by the Committee	0

**B.1.24. Indicate whether the individual and consolidated financial statements that are presented for board approval have been certified:**

YES            NO        X

**B.1.25. Mechanisms established by the Board of Directors to ensure that the parent company and consolidated financial statements authorised by it are presented to the Shareholders' Meeting with audit qualifications.**

The Board of Directors must draw up the financial statements in such a way as not to warrant qualification by the auditor. Nevertheless, when the Board deems that it must uphold its position, it must publicly explain the content of the scope of any discrepancies.

**B.1.26. Detail the measures adopted so that the information disseminated to the securities markets is transmitted on an equal and symmetrical basis.**

The board of Directors Regulation requires the Board to take such steps as may be necessary too ensure Acciona's transparency vis-à-vis the financial markets, by diligently and accurately reporting such events, decisions and circumstances as may be relevant to the share price. Accordingly, on its web site, Acciona provides shareholders and investors not just with the quarterly and half-yearly information required by the current legislation also a full range of financial information (about

the share, analysts' opinions) and information about significant events at the company. In accordance with the Board Regulation, when top executives of Acciona, S.A. give regular or occasional information to institutional investors, investment analysts and shareholder groups or committees, they must care to ensure that this does not provide any advantage to shareholders or third parties who receive this information.

In any case, the Board of Directors must guarantee equal treatment of shareholders in its relations with them, avoiding any bias in the access to information.

The same guidelines used for relations with shareholders apply to relations with analysts, taking particular care to ensure simultaneous and symmetrical disclosure to the market of any data, estimates and plans which might affect the price of the share in the securities markets.

Half-yearly, quarterly or any other financial information which is deemed advisable to disclose to the market must be prepared in accordance with the same professional principles, criteria and practices used in the preparation of the Financial Statements and must endeavour to achieve comparable accuracy.

The Internal Code of Conduct with respect to the Securities Markets includes such measures as limiting the number of people who may have access to price-sensitive information, monitoring share performance and media news that may affect Acciona. If there are abnormal oscillations in the share price or trading volume and there are signs that such performance is due to premature partial or distorted disclosure of the transaction, it is obligatory to make a regulatory disclosure providing clear, accurate information of the status of the transaction under way.

### **B.1.27. Is the Board Secretary a director?:**

No. The Board Secretary is not a director.

### **B.1.28. Indicate whether the company has established mechanisms to maintain the independence of auditors, financial analysts, investment banks and rating agencies.**

The Audit Committee must establish a stable professional relationship with the external auditors while strictly respecting their independence. The Board of Directors must also publicly disclose, in the Notes to the Financial Statements, the overall fees paid to the external auditor and those paid for other services provided by professionals linked to the external auditor.

Regarding financial analysts, see section B.1.26.

**B.1.29. Indicate whether the audit firm performs work for the company and/or its group other than auditing and, if so, state the fees received for such work and those fees as a percentage of total fees billed to the company and/or its group.**

Yes. The audit firm does perform other work for the company and/or its group.

	Company	Group	Total
Fees for work other than auditing (thousand euro)	367	534	901
Fees for work other than auditing/Total fees billed by the audit firm (%)	78.020	23.560	32.910

**B.1.30. Indicate the number of consecutive years that the current audit firm has been auditing the financial statements of the company and/or its group.**

	Company	Group
Number of consecutive years	16	16

indicate the number of years audited by the current audit firm as a percentage of the total number of years in which the financial statements have been audited:

	Company	Group
No. of years audited by the current audit firm/No. of years that the company has been audited (%)	100.000	100.000

**B.1.31. Indicate the stakes owned by members of the company's board of directors in companies with the same, analogous or complementary type of activity as the corporate purpose of the company and its group, that have been notified to the company. Position or function at those companies:**

Name of director	Company name	Stake (%)	Position or functions
Entrecanales de Azcárate, Juan	Hef Inversora, S.A.	46.460	Chairman of the Board of Directors
Entrecanales de Azcárate, Juan	Nexotel Adeje, S.A.	0.001	Chairman of the Board of Directors

Entrecanales Franco, Juan Ignacio	Hef Inversora, S.A.	5.750	Director
Entrecanales Franco, Juan Ignacio	Nexotel Adeje, S.A.	1.390	Director
Lord Tristan Garel-Jones	Iberia lineas aereas de españa, s.a.	0.000	Director
Gamazo de Hohenlohe, Germán	Golf park entertainment, s.a.	21.320	Director
Gamazo de Hohenlohe, Germán	La plaza del golf, s.l.	20.150	Director
Gamazo de Hohenlohe, Germán	Jondal veintiuno, s.l.	33.300	Chairman of the Board of Directors
Gamazo de Hohenlohe, Germán	Inmobiliaria padilla, s.a.	25.000	Chairman of the Board of Directors
Morrás Andrés, Esteban	Inversiones corporativas navarras solares, s.l.	100.000	Sole Administrator
Morrás Andrés, Esteban	Inversiones corporativas navarra, s.l.	100.000	Sole Administrator
-	-	0.000	ALSO, SEE SECTION B.1.6.

### B.1.32. Is there a procedure whereby directors may obtain external advice?:

Yes, there is a procedure.

1. The external directors may agree, by majority, to hire advisors in legal, accounting, financial or other matters at Acciona's expense in order to aid them while discharging their duties.
2. The hiring of said external advisors is limited to matters regarding specific significant and complex problems which arise in the course of the directors' duties.
3. The decision to engage advisors to aid external directors must be communicated beforehand to the Chairperson of the Board of Directors.
4. The engagement of advisors to aid external directors may be vetoed by an absolute majority of the Board of Directors where it deems that:
  - a) it is not necessary for the proper discharge of the duties entrusted to the external directors;
  - b) the cost is not reasonable in view of the scale of the problem;
  - c) the technical assistance that is required may be provided appropriately by Acciona experts and technicians; or
  - d) it may jeopardise the confidentiality of the data to be handled.
5. If the Chairperson of the Board of Directors convenes a Board meeting to decide whether or not to veto the engagement of advisors, the engagement is postponed until the meeting is held or the resolution adopted. The decision must not be delayed to such an extent as to render void the rights of external directors.
6. The engagement is formalised through the Secretary or the Vice-Secretary to the Board of Directors.

**B.1.33. Indicate whether there is a procedure for directors to have the necessary information to prepare for the meetings of the governing bodies sufficiently in advance:**

Yes, there is.

When Directors receive the notice of meeting, they also receive any written information available, except for confidential information that is considered to be sensitive for the company's interests. The Board Regulation acknowledges that Directors have the broadest powers to gather information regarding any of ACCIONA, S.A.'s businesses or data and to examine the books, registers, documents, to the extent they deem necessary or appropriate in order to provide the best basis for the decisions. The right to be informed is only limited by the requirements of good faith and minimum disruption to the ordinary running of the company. The right to be informed must be exercised through the Chairperson or Secretary. Responses to requests for information are met by direct provision of the information or by arranging direct contact with the appropriate executives. If the Chairperson deems the request could jeopardise the interests of the company, the issue must be submitted to the Board of Directors for decision.

**B.1.34. Indicate if the company's directors have third-party liability insurance.**

Yes, there is.

**B.2. Board of Directors' Commissions**

**B.2.1. Governing bodies:**

<u>Name of body</u>	<u>No. of members</u>	<u>Functions</u>
Executive Committee	7	See section B.2.3.
Audit Committee	3	See section B.2.3.
Appointments and Remuneration Committee	3	See section B.2.3.

## B.2.2. Board committees and their members:

### EXECUTIVE OR DELEGATE COMMITTEE

<b>Name</b>	<b>Position</b>
Entrecanales Domecq, José Manuel	Chairman
Entrecanales Franco, Juan Ignacio	Chairman
Goenechea Domínguez, Juan Miguel	Secretary (not a member)
Espinosa de los Monteros y Bernaldo de Quirós, Carlos	Member
Echevarría Busquets, Alejandro	Member
Garel-Jones, Lord Tristan	Member
Montoya Moya, Valentín	Member
Urgoiti y López-Ocaña, Juan Manuel	Member

### AUDIT COMMITTEE

<b>Name</b>	<b>Position</b>
Urgoiti y López-Ocaña, Juan Manuel	Chairman
Gamazo de Hohenlohe, Germán	Member
Garel-Jones, Lord Tristan	Member
Goenechea Domínguez, Juan Miguel	Secretary (not a member)

### APPOINTMENTS AND REMUNERATION COMMITTEE

<b>Name</b>	<b>Position</b>
Urgoiti y López-Ocaña, Juan Manuel	Chairman
Espinosa de los Monteros y Bernaldo de Quirós, Carlos	Member
Echevarría Busquets, Alejandro	Member
Goenechea Domínguez, Juan Miguel	Secretary (not a member)

### **B.2.3. Describe the rules that govern each board committee and their responsibility.**

#### **a) Organisation and functioning.**

Meetings must be held on the dates established by each Commission or Committee in its meetings schedule and whenever convened by its Chairperson, whether at his/her own initiative or at the request of two members.

The Audit Committee may be convened at the request of any of its members made to the Chairperson.

The notice of meeting must be communicated by the Chairperson or by the Secretary acting on the Chairperson's instructions.

In the event of the Chairperson's absence or incapacity, the notice of meeting is issued by the Secretary at the request of any of the members.

The Executive Committee or the Committee in question is quorate with the attendance in person or by proxy of at least half of its members.

Members may attend the meeting via videoconference, telephone or any other telecommunication media, and such members are considered to be present at the meeting.

The Executive Committee and the Committees must adopt resolutions by the absolute majority of the members in attendance, in person or by proxy.

The Chairperson of the Audit Committee has a casting vote.

The minutes of each meeting of the Executive Commission, the Audit Committee, and the Appointments and Remuneration Committee are drafted by their respective Secretaries.

The Board of Directors may consult the minutes of the Executive Committee and of the Committees at any time.

The Executive Committee and the Committees may, by agreement of the Executive Commission or Committee, by decision of the respective Chairperson or, in the case of the Executive Committee, by decision of the Managing Director, request the attendance at their meetings of any executive of Acciona or of the companies over which Acciona exerts a significant influence.

They may also request the attendance at meetings of external advisors or the auditors of Acciona or of the companies over which Acciona exerts a significant influence, with any costs involved to be borne by Acciona.

## B) Composition:

In accordance with the Bylaws, the Audit Committee will consist of at least three and at most five directors, a majority of them being external. The Chairman of the Audit Committee is appointed by the Board of Directors from among the members of the committee who are external directors. The Appointments and Remuneration Committee will consist of at least three and at most five members, all of them external directors. The proportion between proprietary and independent directors should be similar to that which obtains on the Board of Directors itself. In 2005, the Audit Committee and the Appointments and Remuneration Committee each consisted of three directors, all of them independent.

## C) Responsibilities.-

### C.1.- EXECUTIVE COMMITTEE

- a) All the powers of the Board of Directors, except those whose delegation is prohibited by law.
- b) The delegated powers are as follows, which does not represent a limitation on the scope of the powers:
  - c) Management and administration
  - d) Disposition and administration of goods and rights
  - e) Economic and financial powers
  - f) Representation
  - g) Delegation
  - h) Decision-making and resolutions, and interpretation of powers

### C.2.- AUDIT COMMITTEE

The basic duty of the Audit Committee is to serve as an instrument and support to the Board of Directors in the supervision of accounting and financial information, the internal and external audit services and corporate governance.

The Audit Committee must have the following powers for the discharge of its duties, without prejudice to any other powers which may be delegated to it by the Board of Directors:

- a) Inform the Shareholders' Meeting about the matters raised by shareholders within the scope of its functions.
- b) Propose to the Board of Directors, for submission to the Shareholders' Meeting, the appointment of the external auditors referred to in article 204 of the Spanish Corporations Law and the conditions of their appointment, the scope of their professional mandate and the revocation or extension of the mandate.
- c) Supervise the internal audit units.
- d) Have knowledge of the process of financial reporting and the internal control systems and ensure compliance with legal requirements and the correct application of generally-accepted accounting principles.

- e) Liaise with the external auditor to receive information regarding issues which might jeopardise the independence of same and any others involved in the audit process, and any other communications envisaged in the audit legislation and the technical standards for auditing.
- f) Inform and advise the Board of Directors regarding compliance with corporate governance regulations and the codes of conduct applicable to the Company and its group.

In order to ensure optimum discharge of its duties, the Audit Committee has the following specific duties:

- a) Review the financial statements of Acciona and, if appropriate, of its group, before their publication;
- b) Serve as a communication channel between the Board of Directors and the external auditor, evaluate the results of each audit and the management team's response to any recommendations, act as mediator in the event of any dispute between the former and the latter regarding the accounting principles and criteria used to prepare the financial statements;
- c) Advise on the modifications suggested by management to the accounting principles and criteria;
- d) Oversee compliance with the auditing contract, seeking to ensure that the opinion regarding the financial statements and the principal content of the auditor's report are written in a clear and concise manner;
- e) Review the prospectuses, financial statements and periodic financial information supplied by Acciona to the financial markets and their supervisory bodies;
- f) Monitor the suitability and integrity of Acciona's internal control systems;
- g) Oversee the internal audit departments of Acciona and its group, approve the department's annual budget, have knowledge of the internal audit plan, and supervise the selection and hiring systems used for internal audit personnel;
- h) Advise on the appointment of the head of the internal audit department;
- i) Gather information and, if necessary, issue a report regarding any disciplinary measures against members of Acciona's management team;
- j) Oversee compliance with the legal requirements applicable to the corporate organisation and operation of Acciona;
- k) Ensure compliance with this Regulation, the Shareholders' Meeting Regulation, the Internal Code of Conduct in matters relating to the Securities Market and, in general, with Acciona's governance regulations, and make the necessary proposals for improvement; and make the necessary proposals for improvement.

### C.3.- APPOINTMENTS AND REMUNERATION COMMITTEE

The Appointments and Remuneration Committee has the following basic responsibilities, without prejudice to any other task assigned to it by the Board of Directors:

- a) Formulate and review the criteria to be employed regarding the composition of the Board of Directors and the selection of candidates;
- b) Advise on the director appointment proposals made by the Board of Directors to the Shareholders' Meeting and the director appointment resolutions made by the Board of Directors by co-option;
- c) Advise on the appointment of the Secretary and the Vice-Secretary to the Board of Directors;
- d) Propose, to the Board, the directors to be designated as Chairperson, Managing Director and members of the Executive Committee and the other Committees;
- e) Formulate and review the criteria to be followed in appointing senior executives of Acciona;

- f) Advise on the appointment or dismissal of senior executives who report directly to the Board of Directors or the Executive Committee;
- g) Evaluate the annual remuneration system and amount paid to directors and senior executives;
- h) Periodically review the variable remuneration programmes, considering their suitability and results;
- i) Ensure transparency in remuneration;
- j) Be informed of transactions that entail or may entail a conflict of interest in the terms envisaged in this Regulation, including transactions with significant shareholders, directors, senior executives and the related parties of any of them; and specifically, to approve those that fall outside the ordinary business of Acciona or the company over which it exerts significant influence that is party to the transaction, or that are conducted in other than arm's-length conditions.
- k) Establishment of guarantee or protection clauses for senior executives of Acciona or companies in its group for the event of unfair dismissal or a change in control must be submitted to the Appointments and Remuneration Committee and, if it deems pertinent, to the Board of Directors for formal authorisation.

#### **B.2.4. Powers of advice and consultation and any delegations to each of the committees:**

<b>Name of comité</b>	<b>Brief description</b>
Executive Comité	See section B.2.3 (C.1)
Audit Committee	See section B.2.3 (C.2)
Appointments Comité	See section B.2.3 (C.3)

#### **B.2.5. Indicate if there are any Board committee regulations, where they can be consulted, and amendments made in the year. Also, indicate if an annual report on each committee's activities has been drafted voluntarily.**

There are no specific regulations for the board committees since it is considered that the Board of Directors Regulation is sufficient for their organisation and functioning.

#### **B.2.6. State the degree of delegation and the independence of the Executive Committee to adopt resolutions on the company's administration and management.**

The Executive Committee has been delegated with all the powers corresponding to the Board of Directors, except the powers whose delegation is prohibited by law, without prejudice to the fact that it must inform the Board of Directors of the issues and decisions made at the meetings.

**B.2.7. Indicate if the executive committee's composition reflects the composition of the board in terms of director type:**

Yes, it does reflect it.

**B.2.8. Are all the members of the Appointments Committee external directors?:**

Yes. All members of the appointments committee are external directors

## **C Related-party transactions**

**C.1. Detail significant transactions involving a transfer of funds or liabilities between the company or entities in its group and significant shareholders of the company:**

Name of significant shareholder	Name of group company or entity	Type of transaction	Type of relationship	Amount (thousand euro)
Entity related to Cruz Entrecanales de Azcárate	Acciona Infraestructuras, s.a.	Commercial	Real estate management	291
Entity related to Teresa Entrecanales de Azcárate	Acciona infraestructuras, s.a.	Commercial	Real estate management	291

**C.2. Detail material transactions involving a transfer of funds or liabilities between the company or entities in its group and directors or executives of the company:**

Name of director or executive	Name of group company	Type of relationship	Amount (thousand euro)
Entity related to José Manuel Entrecanales Domecq	Medio ambiente Dalmau, s.a.	Provision of services, maintenance	224
Entity related to Juan Entrecanales de Azcárate	ACCIONA Solar, s.a.	Purchase of photovoltaic installations	2,166
Entity related to Juan Entrecanales and children (Nexotel)	ACCIONA Infraestructuras, S.A.	Hotel construction work	6,666
Morrás Andrés, Esteban	ACCIONA Solar, S.A.	Purchase of photovoltaic installations	125
Entity related to Juan Manuel Urgoiti López Ocaña (Banco Gallego)	Bestinver Gestión	Marketing of Bestinver funds by Banco Gallego	773

**C.3. Detail the significant transactions between the company and other companies in the group, except those that are eliminated in consolidation or do not form part of the company's normal operations with regard to their purpose and conditions:**

<u>Name of group entity</u>	<u>Brief description of transaction</u>	<u>Amount (thousand euro)</u>
SEE NOTE TO SECTION G		

**C.4. Identify any conflicts of interest of company directors, in accordance with article 127 ter of the Spanish Corporations Law.**

The Company was not aware of any conflicts of interest between the company and its directors. The Board considers that the fact that Lord Garel-Jones is also a non-executive director of Iberia, which competes with Ineuropa in the handling business, is not harmful to Acciona's interests and does not jeopardise his independence in discharging his duties. The same occurs with the stakes and positions held by the directors in the companies indicated in section B.1.31, which are basically dedicated to real estate businesses and photovoltaic energy installations.

**C.5. Detail the mechanisms established for detecting, determining and resolving possible conflicts of interest between the company and/or its group, and its directors, executive or significant shareholders.**

The Board of Directors Regulation regulates these matters in detail, especially:

Directors:

- a) Directors must abstain from intervening in the debate, decision and execution of transactions in which they have a conflict of interest, whether direct or indirect, including decisions regarding their appointment or removal.
- b) Directors must not compete, as established in article 46 of the Regulation.
- c) Directors must not perform professional or commercial transactions with Acciona, S.A. or in companies over which Acciona, S.A. exerts a significant influence, without prior notification of this to the Appointments and Remuneration Committee, as established in article 47 of the Regulation.
- d) Directors must abstain from dealing in securities of Acciona, S.A. or companies over which Acciona exerts a significant influence in the periods and under the circumstances established in article 51 of the Regulation.
- e) Directors must inform the Board of Directors, through the Secretary or Vice-Secretary, of any situation of conflict of interest in which they may incur

Regarding significant shareholders, any material contractual agreement between Acciona, S.A. or companies over which it exerts a significant influence must be disclosed to, and authorised by, the Board of Directors, which may generically authorise them to undertake operations within the ordinary course of business, provided that they are undertaken in arm's-length conditions and notified to the Appointments and Remuneration Committee.

Regarding executives, the current Internal Code of Conduct establishes the obligation to inform, sufficiently in advance, so that they may adopt the suitable decisions about possible conflicts of interest that they may be involved in as a result of their family relationships, their personal assets or any other reason.

## **D Risk control systems**

### **D.1. Describe the risk policy of the company and/or its group, detailing and assessing the risks covered by the system, and justify why those systems conform to each type of risk.**

In a multisector group such as Acciona, risk control is applied to each company based on the features of the company itself and its sector, making it a key factor in the strategic focus.

Each business area exercises its own risk control and assessment policy, and the Group establishes the maximum risks that each business can assume and coordinates them so that they are consistent and standardised with the Group's overall risk policy.

Risks may be due to external, production or mercantile factors or to the internal functioning of the organisation itself.

The first group of risks are due to:

- a) relations with third parties: customers, suppliers and other stakeholders.
- b) relations with the physical environment: environmental risks
- c) relations with governments and regulatory authorities.
- d) performance of the company's own activities: work, services and development of investment projects.

The second group of risks relate to the possible incorrect application of internal management systems.

Risk management is based on the overall management system and is part of the specific action procedures, whose objective is, firstly, to identify, assess and mitigate the risks and, secondly, to have an insurance system which guarantees that the situations in which risks occur do not jeopardise the Group's financial solvency.

In 2005, the Audit Committee continued its work of conducting in-depth reviews of the various business areas, this time focusing on the construction division. The review of the various areas of activity will enable a risk map to be drawn up based on detailed knowledge of each activity.

## **D.2. Indicate the control systems established to assess, mitigate or reduce the main risks for the company and its group.**

Risk management is inseparable from business, so risk control forms part of management responsibility; therefore, each organisational position must assume management responsibilities that include both the management and control of the activities under its charge.

For the purposes of this description, the control systems are divided into two large categories; the first one is based on the management system itself and the second on how the organisation adapts to meet risk control needs.

### **General management system.**

#### a) Operational risk control systems

- Purchases:

There is a general purchasing policy that defines corporate purchases and purchases by operating units.

This policy and the corresponding procedures are aimed mainly at favouring competition, ensuring transparency and making sure that suppliers' non-performance does not lead to non-performance vis-à-vis customers nor increase costs.

Purchase management forms part of the quality and environmental management system.

- Quality and environment:

2005 was a key year in the development and orientation of Acciona's Quality and Environment management systems:

During the year, the company implemented initiatives to review those systems in line with the corporate criteria of Development and Sustainability, which are being applied steadily to the give business lines.

The principles guiding this review included:

— The working of the management system, integrating not only technical and economic aspects but also expanding the environmental and social aspects, based on the processes at each company, with an orientation towards continuous improvement and monitoring and control of those processes on the basis of indicators.

These initiatives will provide for more efficient assessment and mitigation of the company's and group's risks.

Additionally, the policy of certifying the management system with regard to quality and environment under the ISO 9001 and ISO 14001 standards was applied, and approximately 80% of activities are now certified.

Acciona's first Sustainability report will be published this year, in accordance with the Global Reporting Initiative (GRI) standards verification; this report will be useful as a diagnostic tool, and the methodology will contribute to broader comprehension, in the social and environmental aspects, of the current and future risks to which our activities may be exposed.

Among the improvement targets related to sustainability that were proposed in 2005 and which contribute to reducing risks, we highlight the following: improvement in customer satisfaction indexes, reduction of energy consumption at fixed locations, increased use of biodiesel, improved efficiency in water desalination and purification processes, use of eco-efficiency parameters in building design and construction, improving the monitoring of environmental and archaeological aspects of wind farms, and reduction of average time overruns in projects.

• Management system for personnel safety and integrity:

Depending on each business's characteristics and on the strictest national and international regulations, in their scope of action, the companies in the Acciona group develop systems integrated into their management systems that envisage safety in their operating processes in terms of both the equipment and people involved in the processes.

• Specific management systems:

To ensure that each production unit envisages all the current internal and external regulations as a whole, specific systems have been established that include the requirements of business, quality and environmental management, operations, occupational safety, planning and economic control.

b) Internal management control systems:

- Investments
- Economic control
- Projections and costs (annual budgets)
- Guarantees and sureties
- Insurance

The Group has an overall economic and budget control system for each business, adapted to each activity, that provides the necessary information to management and enables them to control potential risks and adopt the most appropriate management decisions.

Before deciding to invest in a business, there is an initial control and assessment of risks based on the economic information projected for the business, which must be approved by the Investment Committee on the basis of certain parameters of business volume and profitability based on the associated risk.

There is also a short- and medium-term strategic plan for the business areas in which the group operates that enables it to project each activity's performance based on the top managers in each activity.

Economic and financial management information generated in each activity is periodically cross-checked with the projected data and indicators, the deviations in the business volume, profitability, cash flow and other key reliable parameters are assessed, and the pertinent corrective measures are adopted.

In connection with controlling interest rate risks, based on its estimates of interest rate trends and its target debt structure, ACCIONA arranges hedges using derivatives to mitigate those risks.

The interest rate fluctuation risk is particularly significant in financing infrastructure projects under concession contracts and in building wind farms where project returns depend on variations in interest rates since they are directly related to project flows.

The Group operates internationally and, therefore, is exposed to exchange rate risk, particularly the US dollar.

Managing this risk is the responsibility of the Group's CFO, using non-speculative criteria.

In order to mitigate exchange rate risk, ACCIONA arranges currency derivatives and exchange insurance to hedge significant future transactions and cash flows based on the bearable risk limits.

Regarding the risk of non-payment, especially in the infrastructure business, an assessment is made prior to signing contracts with public and private clients that includes a solvency study and a review of the contractual requirements from the standpoint of economic and legal certainty, and debt performance is monitored continuously during the construction work.

ACCIONA is exposed to the risk of procurement price fluctuation, mainly fuel for its shipping business.

Procurement price fluctuation risk is managed basically in the short term (one year) by specific hedges, generally using derivatives, in order to to maintain an economic balance in supply procurement.

As for liquidity risk, the Group applies prudent liquidity management by maintaining sufficient cash and tradeable securities, and by arranging credit facilities for an amount sufficient to cover projected needs.

#### **Organisational measures**

The control system has been developed in the group's organisation through specialised Corporate Units that are responsible for coordinating and spreading the aforementioned corporate policies to all the group's divisions and companies, without prejudice to the leadership that the corporate sphere exercises over initiatives that foster the integration of the quality and environmental and occupational safety management systems into a single overall management system.

### **D.3. Circumstances leading to any of the risks affecting the company and/or its group where the established control systems worked.**

The various incidents in the business activity were resolved in accordance with the established procedures, so no significant risks materialised that led to a significant equity or financial loss.

### **D.4. Commission or other governing body in charge of establishing and supervising these control systems and their functions.**

The Audit Committee is responsible for assessing the internal control systems and their suitability and integrity.

To perform its functions, the Audit Committee relies on the Internal Audit Unit, even though the larger companies have their own Internal Audit Unit that reports to the Corporate Unit.

### **D.5. Processes of compliance with the various regulations affecting the company and/or group.**

Each management level is responsible for complying with the regulations and internal procedures applicable to their activity.

Their effectiveness is assessed periodically by the technical services of the production units and by the planned audits so that they cover all the operational and administrative phases of the various businesses.

They are checked by each company's internal services and the Corporate Internal Audit Unit.

The Corporate Internal Audit department contributes to managing the risks that the Group faces in meeting its targets and in preventing and controlling fraud by continually analysing the control procedures and systems of each company in the group in the various business lines.

The corresponding conclusions and recommendations are notified to the group's management and to those responsible for the companies that have been assessed.

Subsequently, the implementation of the actions set out in those recommendations is monitored in detail.

To perform its functions, the Corporate Internal Audit department has professionals with the necessary knowledge and experience who are independent of the production lines and are assisted by external advisors.

## **E Shareholders' meeting**

### **E.1. Quorums for the shareholders' meeting established in the bylaws. Describe how they differ from the minimum requirements envisaged in the Spanish Corporations Law.**

(I) The Shareholders' Meeting must have a quorum of sixty-seven per cent (67%) of the subscribed fully-paid capital with voting rights at first call or sixty-two per cent (62%) at second call in order to resolve the following matters:

- a) Amendments to the Bylaws, excluding the change of registered office, capital increases, broadening of the corporate purpose, and, where required by law, capital reductions.
- b) Changes of corporate form, mergers, spin-offs, liquidation and dissolution of the Company, except where dissolution is required by law.

(II) For a change of registered offices, capital increases (including the authorisation given to the Board of Directors' to resolve this issue), the issuance of non-convertible, convertible or exchangeable debentures or bonds, the issuance of warrants or options (on their own or tied to debentures) and of preference shares and, where required by law, capital reductions, dissolution and liquidation, it shall be sufficient for the Shareholders' Meeting to have a quorum of two-thirds (2/3) of the subscribed fully-paid capital with voting rights at first call or fifty per cent (50%) at second call.

(III) Other than the aforementioned cases, Shareholders' Meetings are quorate, at first call, when the shareholders present or represented by proxy own at least twenty-five per cent (25%) of the subscribed fully-paid capital with voting rights.

At second call, the Meeting is quorate regardless of the percentage of capital in attendance.

The Meeting quorums stated in (i) and (ii) differ from the Spanish Corporations Law in that the quorums are higher than those established in the law (50% at first call and 25% at second call).

## **E.2. Form of adoption of resolutions. Differences with respect to the Spanish Corporations Law.**

The adoption of Shareholders' Meeting resolutions is established in article 27 of the Bylaws:

Ten shares give one vote.

Shares may be grouped to exercise this right.

Resolutions must be adopted by the majority of the votes corresponding to shares with voting rights present at the Shareholders' Meeting.

Once an item has been voted, the Chairperson must announce the result and, where applicable, declare the resolution approved.

Therefore, the system is that established in the Spanish Corporations Law, i.e. the shareholders decide on matters relating to the Shareholders' Meeting by majority. The Shareholders' Meeting Regulation establishes the following voting system for adopting resolutions:

a) With regard to proposals relating to matters on the Agenda, all the shares present or represented are understood to vote in favour of the proposed resolution being voted upon, except for the votes corresponding to shares whose owners or representatives inform the Secretary or the notary, as the case may be, by means of a personal statement, or prior to the Shareholders' Meeting by means of a vote by mail, e-mail or any other means of distance communication provided for in this Regulation, which are cast against, or blank, or abstain in relation to the proposal.

In the event that there are several proposals relating to the same subject, the proposal by the Board of Directors must be voted on initially, followed by the other proposals in the chronological order in which they were communicated to the Company.

b) With regard to proposals on matters that are not included in the Agenda, all the shares present or represented at the Meeting are considered to vote against the proposal, except for the votes corresponding to shares whose owners or representatives inform the Secretary or the notary, as the case may be, by means of a personal statement, or prior to the Shareholders' Meeting by means of a vote by mail, e-mail or any other means of distance communication provided for in this Regulation, which are cast in favour of the proposal.

In the event that there are several proposals relating to the same subject, proposals are voted in the chronological order in which they were communicated to the Company.

Exceptionally, depending on the circumstances, the Shareholders' Meeting Platform may decide to depart from the system for adopting resolutions defined in the preceding paragraph and to replace it with another system which provides evidence that the necessary votes in favour for approval have been obtained and enables the outcome of the vote to be entered in the Minutes.

The majority is understood to have been reached when the votes in favour represent over half of the shares with voting rights that are in attendance according to the attendance list drawn up when the Meeting was constituted.

### **E.3. Detail shareholders' rights in relation to shareholders' meetings that differ from those established in the Spanish Corporations Law.**

Shareholders' rights in relation to Shareholders' Meetings are those established in the Spanish Corporations Law.

Those rights are clearly stated in the Bylaws and in the current Shareholders' Meeting Regulation, which was filed with the Mercantile Registry and posted on the Company's web site.

The main shareholders' rights in relation to the Company's Shareholders' Meetings are as follows:

Right to be informed:

1) Information requested by shareholders:

Shareholders may request any reports or clarifications they deem fit regarding the following:

(a) the items on the Agenda of the Shareholders' Meeting; or,

(b) the information accessible to the public that Acciona has filed with the National Securities Market Commission since the date of the last Shareholders' Meeting, in the terms established by law.

Requests may be made up until the seventh day prior to the date on which the Shareholders' Meeting is scheduled to be held at first call.

Requests for information may be made as follows:

- (a) in writing, delivered to the Investor Relations Department at the registered office; or
- (b) by post, accrediting the identity of the applicant and their status as shareholder or, as appropriate, their capacity as proxy for the shareholder in a form deemed adequate by the Company; or
- (c) by e-mail or by any other means of distance written communication, to the address indicated by Acciona for such purposes, provided that:

- a. the communication provides sufficient guarantees of its author's identity, in accordance with the systems envisaged in article 13 of the Regulation; and,
- b. the shareholder accredits his/her identity in accordance with article 11 of the Regulation, unless the Board of Directors or its delegate bodies decide, at their discretion, that the status of shareholder is accredited by the mere fact that the shareholder requesting information appears as a shareholder in the most recent information available to the Company.

The Board of Directors and, by delegation, the Managing Director must provide the information in writing up until the day on which the Shareholders' Meeting is held.

The information may also be provided by the Chairperson of the Board of Directors, the Secretary of the Board, the Audit Committee and its Chairperson, acting in coordination with the Managing Director.

Acciona is not bound to provide:

- (a) information whose disclosure would, in the opinion of the Chairperson of the Board of Directors, jeopardise the Company's interests, unless the request for information is supported by shareholders representing at least one quarter of share capital;
- (b) information that does not refer to matters included in the Agenda, or information which Acciona has submitted to the National Securities Market Commission (CNMV) and which is accessible to the public;
- (c) information or clarification which is not necessary to form an opinion on the matters submitted to the Shareholders' Meeting or which is considered excessive for any reason.

The information must be communicated in writing.

It must be delivered to the shareholder in hand at the registered office, by mail or by the same means through which the request was received, at the Company's choice, except where the shareholder has indicated a preferred method, provided that it is suitable for the transmission of the information in question.

The information provided in response to a request by a shareholder which, in the opinion of the Board of Directors or its delegate bodies, may be of general interest to all shareholders, must be posted on the Company's web site and, if appropriate, must be communicated to the National Securities Market Commission as a regulatory disclosure.

## 2) Information available to all shareholders:

Relevant information for shareholders regarding the Shareholders' Meeting must be posted on Acciona's web site and it must be accessible by distance means from the date of publication of the notice of Meeting until at least the date on which the Meeting is scheduled to be held.

The information must also be available in printed format in the cases envisaged by the law and the Regulation.

The information must include:

- (a) the full text of the notice of Meeting, including the Agenda;
- (b) proposed resolutions to be submitted to Meeting, approved by the Board of Directors before the date on which the Shareholders' Meeting is scheduled to be held;
- (c) reports by the Board of Directors, as required;
- (d) the Financial Statements to be submitted for consideration by the Shareholders' Meeting;
- (e) the auditors' report, when financial statements that must be, or have been, audited are submitted to the Shareholders' Meeting;
- (f) an independent expert's report, when required by law;
- (g) any other information that the law requires to be placed at the disposal of shareholders in relation to the Shareholders' Meeting or that the Board of Directors or its delegate bodies have decided to make available; and
- (h) contact details of the Investor Relations Department (including, at least, the postal and e-mail addresses) through which shareholders may request information or make suggestions or proposals, in accordance with the law, the Bylaws or the Regulation.

## 3) Right to participate:

All shareholders attending the Shareholders' Meeting are entitled to participate in the debate on the items of the Agenda.

Shareholders may intervene to request information, make any proposals that are legally admissible, or to make any other statement.

The right to intervene is subordinate to the measures which the Chairperson may establish to ensure that the debate is conducted in a fair, flexible and relevant manner while respecting the rights of those present.

The information requested while exercising the right to participate must be provided during the Shareholders' Meeting by the Board of Directors or by the Audit Committee if the matters fall under its scope of competence.

If the answer cannot be provided at the time, the information must be provided in writing within seven days from the end of the Shareholders' Meeting.

Requests for information that is not covered by the shareholder's right to information, or that the Chairperson of the Board of Directors considers would damage the company's interests if published, will not be entertained during or after the Shareholders' Meeting.

#### **E.4. Indicate any measures adopted to encourage shareholders to participate in shareholders' meetings.**

At the Shareholders' Meeting on 12 May 2005, shareholders were able to vote using means of distance communication prior to the meeting, using mail or the internet (by visiting Acciona's web site). However, no votes were cast by postal or electronic mail although participation in the meeting was higher than in 2004 (77.53% of the capital, vs. 74% in 2004). Excluding the capital owned by the Entrecanales Group, approximately 44% of the capital was present or represented at the 2005 Shareholders' Meeting.

All the relevant information regarding the Shareholders' Meeting was posted on the web site, making it accessible by telematic means from the date of publication of the notice of Meeting.

Acciona's web site enables shareholders to communicate with the Company by e-mail and access the information contained on the site.

#### **E.5. Is the Shareholders' Meeting chaired by the Chairman of the Board of Directors? Indicate any measures adopted to ensure independent and good working of the Shareholders' Meeting:**

Yes, the chairman of the Board of Directors is the chairman of the Shareholders' Meeting.

##### **Details of the measures**

The Board of Directors engages a notary to attend the Shareholders' Meeting and draft the notarial minutes, which serve as the Meeting's minutes. Therefore, the public authenticating officer certifies shareholders' statements, the transaction of the Shareholders' Meeting, and the voting outcome.

#### **E.6. Indicate any amendments to the shareholders' meeting regulation in the year.**

There were no amendments to the Shareholders' Meeting regulations. The current text, approved by the Shareholders' Meeting on 26 April 2004, is available on the company's web site.

## E.7. Indicate the attendance of the Shareholders' Meetings held in the year to which this report refers:

Attendance				
Date of shareholders' meeting:	% of attendance:	% by proxy:	% distance vote:	Total %:
12-05-2005	60.320	17.210	0.000	78

## E.8. Indicate the resolutions adopted by the shareholders' meetings held in the year to which this report refers and the percentage of votes that approved each resolution.

Only one Shareholders' Meeting was held in 2005, on 12 May, at which the following resolutions were adopted:

**One.** Approval of the individual financial statements of ACCIONA, S.A. and of the consolidated financial statements of the group of which it is the parent company.  
Voting: Approved by 4,913,542 votes in favour (99.73%), 493 votes against (0.01%) and 13055 abstentions (0.26%).

**Two.-** Examination of Acciona, S.A.'s individual management report and the consolidated management report of the Group of which it is the parent company, corresponding to 2004 and, as appropriate, approve the conduct of business.  
Voting: Approved by 4,914,162 votes in favour (99.74%), 517 votes against (0.01%) and 12,411 abstentions (0.25%).

**Three.-** Distribution of 2004 income.  
Voting: Approved by 4,919,736 votes in favour (99.85%), 0 votes against (0%) and 7,354 abstentions (0.15%).

**Four.-** Authorisation for the acquisition of own shares on the market by the Company or by group companies, and revocation of the authorisation granted by the 2004 Ordinary Shareholders' Meeting.  
Voting: Approved by 4,921,736 votes in favour (99.89%), 0 votes against (0%) and 5,354 abstentions (0.11%).

**Five.** Reappointment of Lord Garel Jones as director of ACCIONA, S.A., for 5 years, and appointment of Esteban Morrás Andrés as director of ACCIONA, S.A., for 5 years.  
Voting: Approved by 4,919,289 votes in favour (99.84%), 2,447 votes against (0.05%) and 5,354 abstentions (0.11%).

**Six.** Re-appointment of Deloitte, S.L. as auditors of ACCIONA, S.A. and its group.  
Voting: Approved by 4,921,712 votes in favour (99.89%), 23 votes against and 5,354 abstentions (0.11%).

**Seven.-** Empowerment of the Board of Directors to elaborate on, interpret, remedy and execute Shareholders' Meeting resolutions.  
Voting: Approved by 4,921,736 votes in favour (99.89%), 0 votes against and 5,354 abstentions (0.11%).

**E.9. Number of shares required to attend the Shareholders' Meeting, and restrictions established by the Bylaws.**

Accordance with article 18 of the Bylaws, at least 60 shares are required to attend the Shareholders' Meeting.

**E.10. Indicate the company's policy on proxies in the Shareholders' Meeting.**

The Company does not have defined policies on proxies in Shareholders' Meetings. When a delegation is received without identifying the proxy, the Company assigns the proxy to the Chairperson of the Board of Directors, who follows the instructions indicated by the shareholder in the proxy document and, in all cases, respects the Bylaws, the Shareholders' Meeting Regulation and the Spanish Corporations Law (articles 106 to 108).

**E.11. Indicate if the company is aware of the institutional investors' policy of participation in company decisions:**

No. The company is not aware of the institutional investors' policy.

**E.12. URL and form of access to the corporate governance content on the web site.**

The home page is at [www.acciona.es](http://www.acciona.es). That page contains a link to the Corporate Governance section.

## F Degree of seguimiento de las recomendaciones de gobierno corporativo

**Degree of compliance by the company with the existing corporate governance recommendations. Until the single document referred to by Economy Ministry Order ECO/3722/2003, dated 26 December, is drafted, the recommendations of the Olivencia Report and Aldama Report are used as reference to complete this section.**

### Recommendation 1. Functions of the Board of Directors

“The Board of Directors should expressly assume the general supervisory function as its core mission, exercise the corresponding responsibilities exclusively and indelegably and establish a formal catalogue of the matters which are its exclusive competence.” (Olivencia Code).

This is complied with. The Board of Directors Regulation establishes that the Board must exercise its function by focusing on the supervision and oversight of managers and, where they exist, the executive Chairperson, the Managing Director and the Executive Committee.

The internal organisation of the Company, decisions regarding management of its businesses, and representation of the Company before third parties shall be delegated by the Board of Directors to the Chairperson and, if they exist, to the Managing Director and to one or more Vice-Chairpersons.

All of the aforementioned may, in turn, delegate the powers and authority to the executives and committees which make up the management structure of Acciona and of the group (including directors who hold executive posts).

The Board of Directors may also allocate and assign powers and authority directly to the management structure.

The following powers are reserved exclusively to the Board of Directors to ensure better performance of its general function of supervision and control of managers:

- a) Approval of Acciona’s general strategies;
- b) Approval of corporate and financial transactions which are of particular significance to Acciona;
- c) Appointment, remuneration and, if necessary, dismissal of members of the senior management of Acciona and the other companies in its group;
- d) Oversight of management;
- e) Evaluation of executives;
- f) Identification of the main risks to Acciona, and implementation and monitoring of the appropriate internal control and information systems;
- g) Establishment of the policy of reporting and disclosure to shareholders, the markets and the general public, including the information to be provided on the web site;
- h) Establishment of the treasury stock policy within the framework determined by the Shareholders’ Meeting, if any; and
- i) Any other powers specifically envisaged in this Regulation.

## **Recommendation 2. Independence of the Board of Directors**

"The Board of Directors should include a reasonable number of independent directors who are prestigious professionals with no links to the management team or the significant shareholders." (Olivencia Code).

This is complied with. Five of the current eleven directors are independent.

Article 10.5 of the Regulation establishes that the following cannot be independent directors:

- parties who hold or who have held in the two years prior to their appointment a significant relationship, whether employment or commercial or contractual, either directly or indirectly, with Acciona, its significant shareholders, its senior management, its proprietary directors or its group companies;
- parties who represent the ownership interests of Acciona's significant shareholders, of credit institutions that play an important role in the financing of Acciona or its group, or of organisations that receive significant subsidies from Acciona or its group;
- parties who are directors or executives of another listed company which was involved in the appointment of proprietary directors at Acciona;
- parties who have a family connection up to the fourth degree with any executive director, proprietary director, significant shareholder (direct or indirect) or member of Acciona's senior management;
- parties who have directly or indirectly made or received significant payments to/from Acciona that might compromise their independence; or
- individuals who hold or have held other relationships with Acciona which the Appointments and Remuneration Committee deems might jeopardise their independence.

## **Recommendation 3. Composition of the Board of Directors**

"In the composition of the Board of Directors, the non-executive directors (both proprietary and independent) should have an ample majority over executive directors and, within non-executive directors, there must be a very large proportion of independent directors, considering the company's ownership structure and the capital represented on the Board." (Olivencia Code).

This is complied with. There are more non-executive directors (seven) than executive directors (four). Additionally, five of the external directors are independent. See section B.1.3.

## **Recommendation 4. Size of the Board of Directors**

"The Board of Directors must have a reasonable number of members to ensure its viability and the work of each director, who must have access to the necessary resources to improve and make their functions more efficient, including the ability to communicate with the parties responsible for the different business and services areas and, if appropriate, to be assisted by professionals and external experts." (Aldama Code).

This is complied with. The current number of eleven directors is considered to be appropriate for effective, participatory operation of the Board.

Article 9.2 of the Regulation establishes that "the Board of Directors considers that the ideal number of directors for its optimum operation as a collegiate body is between ten and fifteen".

#### **Recommendation 5. Separation of powers.**

"If the Board chooses to combine the offices of Chairman and CEO in the same person, it should adopt the necessary safeguards to mitigate the risks of concentrating power in a single person." (Olivencia Code).

The existence of an executive committee with two co-chairpersons and the fact that certain decisions correspond to the Board and the Committees in accordance with the Regulation are considered to be adequate measures to limit the risks of a single person accumulating power.

#### **Recommendation 6. Regulatory guarantee**

"The figure of Secretary to the Board should be made more important and given more independence and stability, and his/her function of ensuring the formal and material legality of the Board's actions should be highlighted." (Olivencia Code).

This is complied with. The Secretariat of the Board of Directors continued to perform its functions on an independent basis through the services of an external adviser. The Secretary's mission is to ensure efficient operation of the Board of Directors, guarantee the formal and material legality of its actions, ensure that its procedures and governance rules are respected, and duly enter the business transacted by the Board in the minutes, and issue certificates of same.

The Vice-Secretary assists the Secretary to the Board and, in the latter's absence, incapacity or vacancy, takes his/her place.

#### **Recommendation 7. Composition of the Executive Committee**

"The composition of the Executive Committee, if there is one, should reflect the same balance as in the Board between the various classes of director, and the relations between the two bodies should be inspired by the principle of transparency so that the Board of Directors has full knowledge of the matters discussed and the decisions made in the Executive Committee." (Olivencia Code).

"The Board of Directors decides the composition of this Committee and it is recommended that, when the Executive Committee assumes all or most of the Board's powers, its composition should be similar to that of the Board itself in terms of the percentage of the different types of directors." (Aldama Code).

This is complied with. The Executive Committee comprises four external independent directors, two proprietary executive directors, and one executive director. See section B.2.2.

#### **Recommendation 8. Board of Directors' Commissions**

"The Board of Directors should create sub-Committees for control purposes, composed exclusively of non-executive directors, to deal with matters of accounting information and control (Audit Committee); the selection of directors and senior executives (Nomination Committee); the determination and review of remuneration policies (Remuneration Committee); and the evaluation of the governance system (Compliance Committee)." (Olivencia Code).

This is complied with. The Board of Directors has created an Executive Committee, with delegated functions of decision and representation, and two Committees (Audit Committee and Appointments and Remuneration Committee), with consultative functions. The Audit Committee and the Appointments and Remuneration Committee comprise only external independent directors. See section B.2.2.

#### **Recommendation 9. Directors' information**

"The necessary measures should be adopted to ensure that directors have sufficient specifically-prepared and oriented information sufficiently in advance to prepare for Board meetings, and the importance or confidentiality of the information may not justify breaches of this recommendation except in exceptional circumstances." (Olivencia Code).

This is partially complied with. See section B.1.33.

#### **Recommendation 10. Frequency of Board of Directors meetings**

"To ensure the good working of the Board, it should meet as often as necessary to fulfil its mission; the Chairman should encourage all directors to participate and take positions; particular care should be taken in drafting the minutes; and the quality and efficiency of the Board's work should be evaluated at least once per year." (Olivencia Code).

This is complied with in terms of the frequency, transaction and minutes of Board meetings. The Chairman ensures and fosters the participation of all the directors in the discussions, and the attendance of any senior managers when this is deemed necessary or appropriate by the Chairman in order to provide information on the matters under consideration.

This is partially complied with regarding the Board's assessment of its own working and the quality of its work. The Board does not hold a meeting specifically for that assessment. The Board receives an annual written report from the Audit Committee (which is responsible for supervising corporate governance) about its working and the degree of compliance with corporate governance recommendations.

#### **Recommendation 11. Nomination policy**

"The Board's participation in the selection and re-election of its members should conform to a formal, transparent procedure based on reasoned proposals from the Nomination Committee." (Olivencia Code).

This is complied with: Prior to the Board of Directors' approval of the proposal to the Shareholders' Meeting or an appointment by co-option, it must request and consider, but need not abide by, the opinion of the Appointments and Remuneration Committee. If the Board departs from a Committee's recommendations, it must justify its decision and place this on record in the minutes.

The Appointments and Remuneration Committee must be consulted on proposals to re-appoint directors, and it must assess the quality of the director's work and his/her dedication to the position during his/her term.

#### **Recommendation 12. Non-removal of external directors**

"Once the Shareholders' Meeting has appointed the proprietary and independent external directors, the Board should not propose their removal before they comply with the period of office as provided in the Bylaws, except for exceptional and justified causes approved by the Board of Directors, based on a report by the Nomination Committee." (Aldama Code).

This is complied with. Article 17.3 of the Board of Directors Regulation establishes that the Board may not propose the removal of proprietary or independent directors prior to the completion of the legal term for which they were appointed, except in the cases envisaged in section 17.2 (see section B.1.15) or in exceptional and justifiable circumstances which, after consultation with the Appointments and Remuneration Committee, the Board of Directors deems to be of sufficient importance.

#### **Recommendation 13. Resignations**

"Companies should establish in their regulations the obligation for directors to resign where they may have a detrimental impact on the working of the Board of Directors or on the company's prestige and reputation." (Olivencia Code).

This is complied with. See section B.1.15. In particular, directors must tender their resignation to the Board of Directors when they are penalised by the Audit Committee for a serious breach of their obligations as directors and when their presence on the Board might affect the credit or reputation of Acciona and its group

in the market or jeopardise their interests in any other way. The Regulation obliges directors to disclose to Acciona all legal, administrative or other claims which, due to their importance, might seriously endanger Acciona's reputation.

#### **Recommendation 14. Directors' age**

"The company which adopts a policy on directors' age limits must state this clearly in its internal regulations." (Aldama Code).

Acciona has not included a rule on directors' age limits in its internal regulations.

#### **Recommendation 15. Appropriate information and advice**

"The right of every director to request and obtain the necessary information and advice to enable him/her to fulfil his/her supervisory functions should be formally recognised, and the appropriate channels for exercising this right should be established, including the possibility of engaging external experts in special circumstances." (Olivencia Code).

This is complied with. See section B.1.32.

#### **Recommendation 16. Directors' remuneration**

"The director remuneration policy, whose proposal, evaluation and review should be assigned to the Remuneration Committee, should conform to criteria of moderation, be commensurate with the company's performance and be disclosed in detail on an individual basis." (Olivencia Code).

The recommendations as to moderation and detailed disclosure are complied with. The remuneration is not tied to the Company's profitability although the Bylaws permit an amount considerably larger than what is actually paid. The Board prefers moderation to linking remuneration to Company earnings. See section B.1.11.

#### **Recommendation 17. Directors' loyalty**

The company's internal regulations should detail the obligations arising from the directors' general duties of diligence and loyalty, with particular attention being given to conflicts of interest, the duty of confidentiality, and the use of the company's business opportunities and assets." (Olivencia Code).

This is complied with. The Board Regulation regulates:

- Duty of confidentiality. (art. 43)

- Duty of loyalty. (art. 44)
- Duty to abstain in the event of conflicts of interest. (art. 45)
- Duty of non-competition. (art. 46)
- Transactions between directors and Acciona or companies over which Acciona exerts a significant influence. (art. 47)
- Use of corporate assets. (art. 48)
- Use of business opportunities and information which is not public. (art. 49)
- Taking advantage of status as director. (art. 50)
- Duty to abstain from dealing in securities of Acciona or companies over which Acciona exerts a significant influence. (art. 51)
- Notification of transactions by related parties. (art. 52)
- Holdings in the capital of Acciona and transactions in financial derivatives on underlying securities issued by Acciona. (art. 53)

#### **Recommendation 18. Extension of the duties of loyalty to significant shareholders**

"The Board of Directors should foster the adoption of appropriate measures to extend the duties of loyalty to the significant shareholders and, in particular, establish safeguards covering transactions between significant shareholders and the company." (Olivencia Code).

This is complied with. Article 55 of the Board Regulation establishes the following:

1. All material contractual agreements between Acciona or the companies over which Acciona exerts a significant influence and any of their significant shareholders or third parties who are known to act on behalf of significant shareholders must be disclosed to and authorised by the Board of Directors.
2. The Board of Directors may generically authorise significant shareholders to undertake operations within the ordinary course of business of Acciona or of the companies over which it exerts a significant influence, provided that they are undertaken in arm's-length conditions.  
so authorised must be reported to and supervised by the Appointments and Remuneration Committee.
3. The Appointments and Remuneration Committee shall ascertain whether the operations fall under a generic authorisation of the Board of Directors and fulfil the requirements.  
there is no such generic authorisation, it shall issue a report to the Board of Directors evaluating the operation from the viewpoint of equal treatment of shareholders and considering whether arm's-length conditions apply.
4. Acciona's management shall abstain from authorising and executing any transaction which it knows to be subject to this Article without submitting it to the mandatory prior control, and shall communicate all those it plans to execute to the Chairperson of the Appointments and Remuneration Committee through the Secretary or the Vice-Secretary of the Board of Directors.

### **Recommendation 19. Shareholders' Meeting**

"On the occasion of Shareholders' Meetings, and from the time they are convened, the company must disclose the full content of all the motions to be submitted to the Meeting on its own web site, regardless of other procedures for this purpose established by law or implemented voluntarily by the company." (Aldama Code).

is applied. See section E.3.

### **Recommendation 20. Shareholders' Meeting and Board Regulations**

"All companies should have a number of corporate governance rules or criteria that include at least the Regulations of the Shareholders' Meeting and of the Board of Directors." (Aldama Code).

This is complied with. The Board Regulation has existed since 2000 and the text that is currently in force was approved on 23 March 2004. The Shareholders' Meeting Regulation was approved on 26 April 2004. Both regulations were filed with the Mercantile Registry and are available for consultation on the company's web site.

### **Recommendation 21. Transparency**

"Measures should be taken to provide greater transparency in the mechanism of proxies and to promote communication between the company and its shareholders, particularly institutional investors." (Olivencia Code).

This is complied with. The Board of Directors, as the link between ownership and management, takes adequate measures to have knowledge of proposals by shareholders with regard to the management of Acciona; in this respect, Acciona's web site enables shareholders to communicate with the Company by e-mail and access the information contained on the site telematically.

### **Recommendation 22. Broad information**

"The Board of Directors should go beyond the reporting requirements of the current legislation and undertake to provide the markets with fast, accurate and reliable information, particularly with regard to the shareholder structure, substantial modifications in the rules of governance, related-party transactions of particular importance and transactions with own shares." (Olivencia Code).

This is complied with. In its corporate governance reports, Acciona provides all the relevant information on corporate governance, including the re-appointment of senior management and the approval of new Board of Directors and Shareholders' Meeting Regulations in order to adapt them to current regulations. There were no

transactions with shareholders or executives that were so significant as to justify their disclosure. In its periodical financial information, Acciona, S.A. includes data that exceeds the requirements of current regulations.

#### **Recommendation 23. Corporate governance information**

“The disclosure duty with regard to corporate governance structures and practices should be extended and, in general, that measures should be adopted to ensure greater information quality, combining into a single text to be published for the general knowledge of shareholders and investors.” (Aldama Code).

This is complied with. Since 2000, Acciona has approved and published an annual report on its corporate governance practices.

#### **Recommendation 24. Periodical financial information**

“All the periodical financial information, in addition to the annual report, which is released to the markets should be drafted under the same professional principles and practices as the annual accounts and should be verified by the Audit Committee before release.” (Olivencia Code).

This is complied with. Article 60.3 of the Board Regulation establishes that half-yearly, quarterly or any other financial information which is deemed advisable to disclose to the market must be prepared in accordance with the same professional principles, criteria and practices used in the preparation of the Financial Statements and must endeavour to achieve comparable accuracy. Periodic financial information is reviewed by the Audit Committee prior to its publication.

#### **Recommendation 25. Information via the Internet**

“A company should have a web site through which it informs its shareholders, investors and the market in general about economic events and any other significant events that take place in connection with the company, as well as enabling shareholders to exercise their right to information and any other shareholder rights.” (Aldama Code).

This is complied with. The “Information for Shareholders and Investors” section of Acciona’s web site has information on significant events, stock market data, financial information and the contact address. Also, the sections on Corporate Governance, Shareholders’ Meeting and Shareholder Rights have a form for requesting information via e-mail.

The content of the web site conforms substantially to Economy Ministry Order Eco/3722/2003, dated 26 December, and CNMV Circular 1/2004.

**Recommendation 26. Independence of external auditors**

"The Board of Directors and the Audit Committee should monitor situations which might jeopardise the independence of the company's external auditors and, specifically, they should verify the percentage of the audit firm's total revenues represented by the fees paid to it under all headings, and professional services other than auditing should be publicly disclosed." (Olivencia Code).

This is complied with. The Audit Committee serves to support the Board of Directors in the supervision of external audit services and, therefore, maintains relations with external auditors in order to receive information about matters that may jeopardise their independence. The Audit Committee specifically checks and evaluates the amounts paid to external auditors to ascertain whether their independence might be in jeopardy.

In both the notes to financial statements and in this report, the Board of Directors publicly discloses the overall fees paid for non-audit services.

**Recommendation 27. Accounting quality**

"The Board of Directors should endeavour to ensure that the accounts drafted by it and submitted to the Shareholders' Meeting should be free of audit qualifications and, where this is not possible, both the Board and the auditors should explain clearly the content and scope of the discrepancies to the shareholders and the markets." (Olivencia Code).

This is complied with. See section B.1.25.

**Recommendation 28. Continuity**

"The Board of Directors should include information about its rules of governance in the annual report, and justify any departures from the recommendations of this Code." (Olivencia Code).

This is complied with. Acciona, S.A. has disclosed information about its governance rules in its annual public report since 2000.

## G Other information of interest

### Other relevant principles and aspects of the corporate governance principles applied by the company.

**NOTE TO SECTION A.6.-** The Company is not aware of the existence of any shareholders' agreements that have been notified to it or to the Comisión Nacional del Mercado de Valores. Grupo Entrecanales, S.A. has notified that there are no agreements among its shareholders that restrict or constrain the transfer of shares or regulate the exercise of voting rights at Shareholders' Meeting other than those set out in the Bylaws.

All the direct and indirect shareholders of Grupo Entrecanales are members of the family comprising the descendants of José Entrecanales Ibarra.

**NOTE TO SECTION B.1.6.-** The list of Board members who are directors or executives in other companies reflects the situation at 31 December 2005.

**NOTE TO SECTION B.1.10.-** The establishment of guarantee or protection clauses for senior executives of Acciona or companies in its group for the event of unfair dismissal or a change in control must be submitted to the Appointments and Remuneration Committee and, if it deems pertinent, to the Board of Directors for formal authorisation.

The amounts of the guarantee clauses referred to in section B.1.10 apply generally to cases of unfair dismissal, at the instances of the employer or of the executive, in the terms of Royal Decree 1382/1985. The amount of those clauses is as follows: Two clauses for the amount of two years' total remuneration, two clauses for the amount of two years' fixed remuneration, two clauses for the amount of one year's full remuneration, although one of these has expired at the date of approval of this report and the indemnity is that which corresponds to the length of service, one clause for a net amount of 300,000 euro, and one clause for the amount of four years' total remuneration.

**NOTE TO SECTION B.1.17.-** When urgency so requires, the Chairperson may propose and the Board may approve, providing no directors object, the adoption of resolutions in writing without holding a meeting, by asking directors to vote via letter, fax, e-mail or any other written media which adequately guarantees, under the responsibility of the Secretary or the Vice-Secretary, the identity of the sender and the authenticity of its content.

**NOTE TO SECTION B.1.23.-** In addition to Board meetings, the Board adopted resolutions in writing without a meeting twice in 2005.

**NOTE TO SECTION B.1.31.-** The Regulation considers that the following are competing activities: Construction and engineering; real estate development; urban services; transport by sea and road, and ancillary transport services; wind power.

**NOTE TO SECTIONS C.1 AND C.2.-** There were no transactions outside the Company's or Group's ordinary business that were not performed on an arm's-length basis. Nevertheless, sections C.1 and C.2 provide a breakdown of significant transactions; section C.1 contains those by two entities related to two Directors of Grupo

Entrecanales, S.A. and section C.2. Those performed by the directors and executives listed in section B.1.9 of this report. The amounts (excluding VAT) refer to amounts billed in 2005. Those transactions are basically as follows:

- a) Payments to group companies for real estate services,
- b) Facility upkeep and maintenance services
- c) Acquisition of photovoltaic installations of 97,920 Wp by three companies related to Juan Entrecanales, and three photovoltaic installations of 6,120 Wp from persons related to Esteban Morrás Andrés.

Finally, in 2005, Acciona Infraestructuras, S.A. billed Nexotel Adeje, S.A. 6,666,000 euro for the construction of a hotel, and Banco Gallego brokered the sale of mutual funds managed by Bestinver and collected 772,996 euro as commissions for those services.

**NOTE ON SECTION C.3.-** The transactions between the Company and its dependent companies, which are related parties and form part of its normal business as regards purpose and conditions, were eliminated in consolidation. The transactions between the Group and its associated companies are disclosed below. At 31 December 2005, the debit and credit balances with associated companies were as follows:

	Debit balances / expenses	Credit balances/revenues 2005
Trade and other accounts receivable	2,831	
Trade and other accounts payable	—	3,137
Revenues and expenses	18,025	13,268

The balances with Group companies relate mainly to logistics and transport services provided by companies in the Acciona Trasmediterránea subgroup, and services provided by Acciona Infraestructuras to various associated companies. Those transactions were conducted on a arm's-length basis.

**Indicate whether the company is subject to legislation other than Spanish law in the area of corporate governance and, if so, include the information that it is obliged to report which differs from that required in this report.**

No. The company is subject to Spanish law.

**This annual corporate governance report was approved unanimously by the company's Board of Directors on 22 March 2006.**



