

Business Ethics and Social Responsibility



Business Ethics and Social Responsibility

Introduction

Abengoa is an industrial and technology company that provides solutions for sustainable development, the information and knowledge society and the creation of infrastructures. It promotes innovation as a means of creating value and achieving sustained growth.

Abengoa conducts its business with a strong commitment to customer service, the professional and personal development of its employees and the creation of value for its shareholders.

Abengoa's vision

Abengoa believes that the innovative company operating in a market economy is an efficient instrument that can play a vital role in building a society based on sustained development.

Social Responsibility

Global Compact

Abengoa has joined the United Nations Global Compact initiative to promote principles in the areas of human rights, labour and the environment and to make them part of business strategy and operations.

Corporate Governance

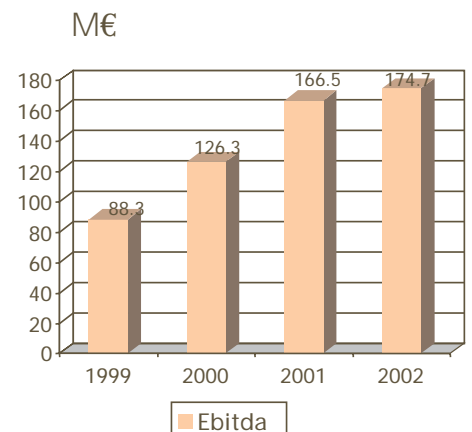
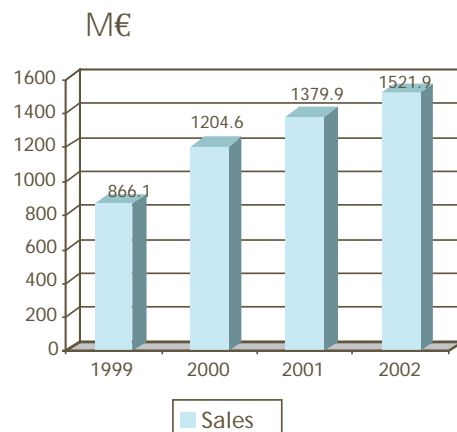
Abengoa has adapted its corporate governance rules, following the recommendations of the Special Commission for transparency and security on financial markets and in listed companies (Aldama Report). The subject is discussed in greater detail elsewhere in this Annual Report (page XXX).

Triple bottom line

Economic bottom line

Abengoa's financial highlights are presented in detail elsewhere in this Annual Report. In brief, Abengoa's business has expanded significantly over the past three years, as the following figures show:

- Sales 2002 1,509.9 €
- Sales 1999 866.1 € 74.33% growth
- EBITDA 2002 174.5 €
- EBITDA 1999 88.3 € 97.62% growth



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Environmental bottom line

Abengoa is a company with a strong commitment to sustainable development, resulting in a very positive environmental bottom line:

- The Bioenergy business segment operates in the biofuel sector. In 2002 it became the world's second largest producer of bioethanol, a fuel used as an alternative to petrol, which has a positive impact on urban atmospheric pollution, the greenhouse effect, the sustainability of agriculture, the balance of payments and regional development.
- The Environmental Services business segment promotes sustainability as a key concern in all its activities: aluminium, zinc and salt cake waste recycling, industrial waste management, hydrocarbons and industrial cleaning services and environmental engineering for water treatment and waste management.
- Information Technology is a business segment devoted to the information and knowledge society and boasts an extremely positive environmental bottom line, particularly in the area of social development.

- Industrial Construction and Engineering has a traditionally strong commitment to renewable energy sources, particularly solar power and biomass, and is now developing new hydrogen technology applied to fuel cells and working on the creation of new infrastructures in response to the demands of society.

A full account of these activities and significant figures are provided in the sections of this Annual Report devoted to each business segment.

Abengoa's progress and achievements in the implementation of quality systems and environmental management systems for the performance of its business activities are described below.



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Quality and environment

Abengoa took its first steps in the area of product quality assurance over thirty years ago, largely in response to requirements arising from its activity in the construction of nuclear power stations and military, rail and space systems.

From then on, we began to apply this concept to all the construction work we were involved in and not just to nuclear power projects, making quality a feature of all our products.

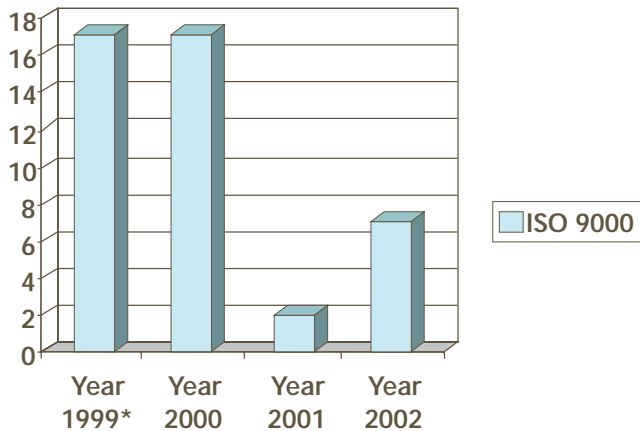
Advances in quality systems have enabled us to implement predominantly preventive rather than corrective models, making it possible to anticipate problems and get it right the first time round.

Quality control and assurance and quality systems in general have progressed over the years to produce the current quality management systems, which are formally registered through ISO 9000 certification.

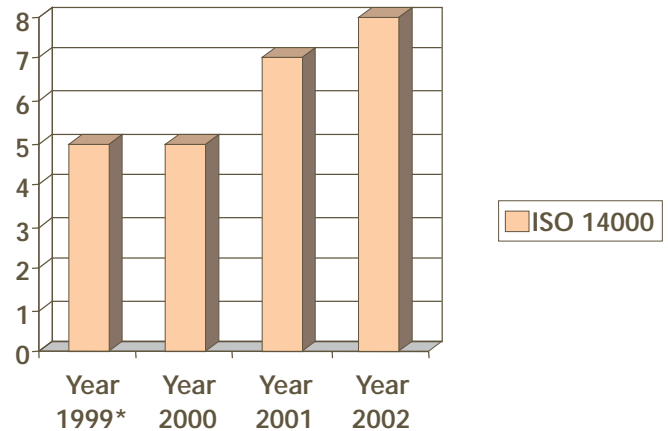
Growing concern for environmental issues in society as a whole has prompted Abengoa to take them on board and channel its efforts into conserving and protecting the natural environment, with a view to ensuring that our generation and future generations use it in a more efficient and responsible manner. The environmental system, like the quality system, must provide management according to solid, provable criteria. Our companies are therefore ISO 14000 registered, and some of them are certified as environmental managers.

As a result of efforts in this area over the previous two years, by the end of 2002, 67% of Abengoa's companies had received ISO 9000 certification for their quality management systems, and 33% had received ISO 14000 certification for their environmental management systems, putting us in a privileged position in this respect.

The figures for ISO certificates received between 1999 and 2002 are shown in the diagrams below.



* Accumulated up to 1999



* Accumulated up to 1999

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The table below shows the proportion of companies in each business segment that have certified quality and environmental management systems:

Business Segment	% of ISO 9000 certified companies	% of ISO 14001 certified companies
Information Technology	90	30
Industrial Engineering and Construction	71	29
Environmental Services	38	36
Bioenergy	0	0
Latin America	89	22

The recently formed Bioenergy business segment has companies based in Spain and the United States.

The Spanish companies, Ecocarburantes S.A. and Bioetanol Galicia S.A., are currently developing and implementing an integrated quality, environmental and occupational health and safety management model. It plans to have the integrated system in full working order before the end of 2003, with a view to initiating the registration procedure at the end of the year and receiving certification at the beginning of 2004.

In 2002, two companies in our Environmental Services business segment received verification statements accrediting the compliance of their environmental management systems with the requirements of the Eco-Management and Audit Scheme (EMAS). This means that three companies in this business segment now have the EMAS verification statement, and one has been accepted as an EMAS-registered company.

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New versions of two software applications have been installed in almost all our companies, one for Problem Resolution Reports (PRR) and the other for processing Improvement Actions (IA), as strategic tools to improve quality and environmental system management.

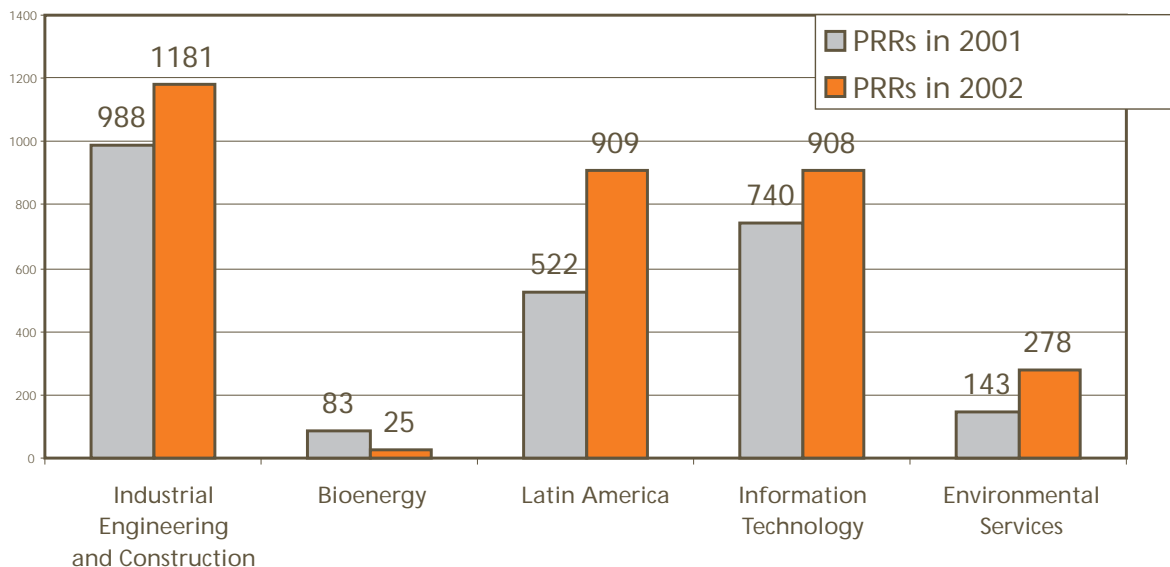
The key advantage of these applications is that both problem management and resolution and improvement actions can be initiated exactly where the problem is, permitting bottom-up detection and solution.

Through the corporate quality and environment structure, the required training was provided to achieve fuller and wider implementation of the new applications and to teach employees how to use the capabilities effectively to facilitate the day-to-day management of projects and works, promoting a process of ongoing improvement.

The diagrams below provide a comparative analysis, by business segment, of 2001 and 2002 figures for problem detection and proposed improvement actions and the proportion of problems detected and improvement actions proposed by each business segment.

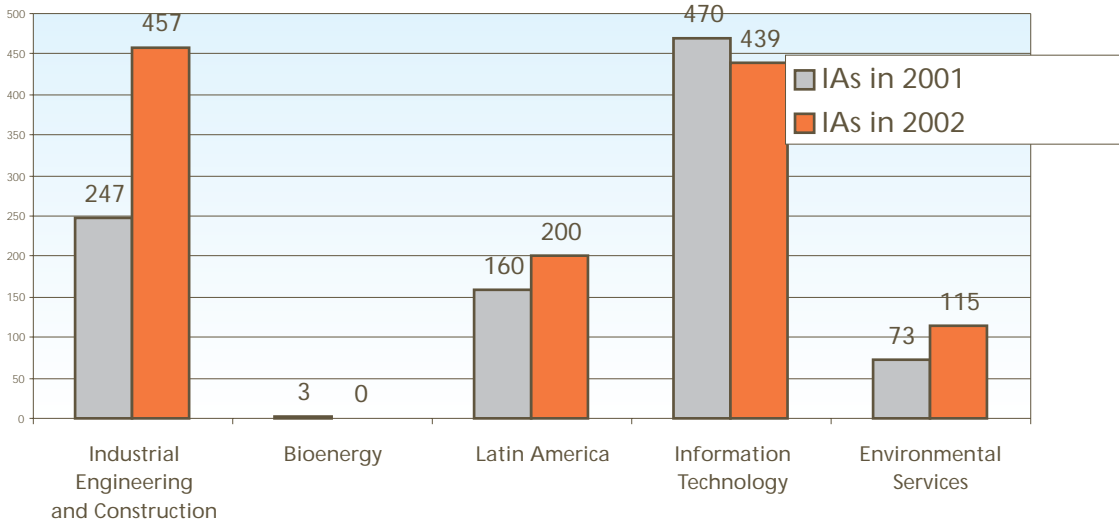


PRRs by business segment

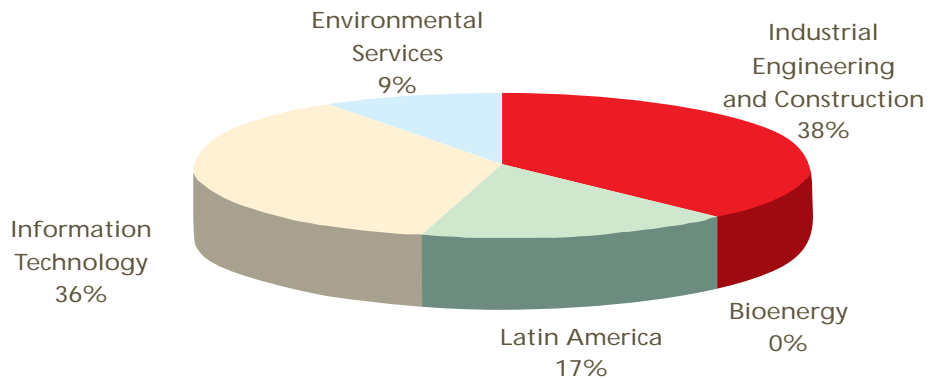


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IA's by business segment

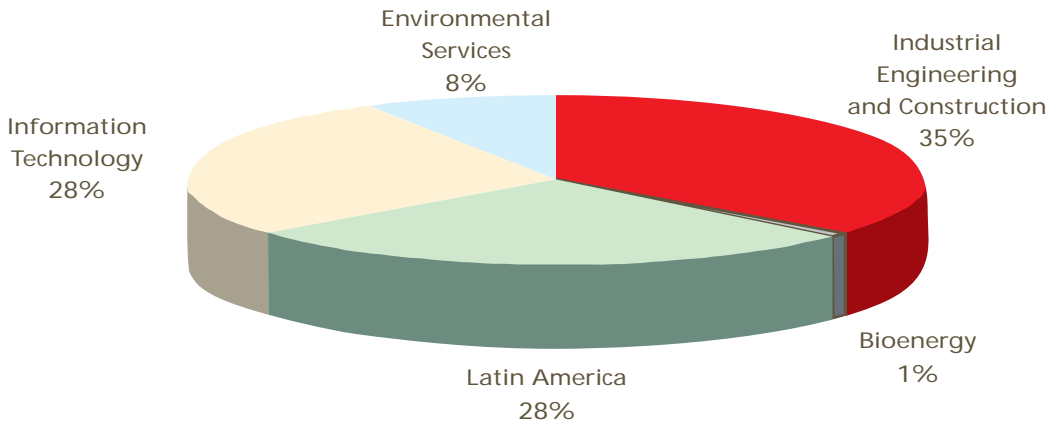


Pie chart showing IA's in 2002 by business segment



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Pie chart showing PRRs in 2002 by business segment



Each company has specific facilities to support the development and implementation of the above, according to its structure and activity.

Companies that carry out construction works or projects have a decentralised structure, with certain activities performed at the construction or project site, others at the permanent establishment (regional management office or branch office), and others at headquarters under General Management. The entire structure comes under the quality and environment coordinator.

Companies that carry out manufacturing activities have a centralised structure.

The main functions of the quality and environment organisations are to manage and develop system documentation, ensuring that it is kept up to date with current national and international legislation and with environmental legislation; to propose and formulate the annual internal audit plan; to provide secretariat services for the Quality and Environment Committee, which puts forward objectives, indicators and targets for the company, areas and departments; to provide assistance and guidance in response to consultations from different areas and departments; to participate in training programmes; to evaluate

suppliers; to provide supervision for the implementation of problem management and resolution and improvement actions; and to work with General Management to revise the systems on a yearly basis, with a view to proposing ways of improving them.

There is a minimal structure in place to supervise the implementation of the above through visits and follow-up to monitor progress and ensure that the objectives set in the chairman's policy statement are met and that the synergies created within the Group are used to the best advantage.

The following general objectives have been set for this year:

- Certification and adaptation of the quality management systems of Abengoa's companies according to the ISO 9001:2000 standard.
- Certification of the environmental management systems of Abengoa's companies according to the ISO 14001:1996 standard.
- Monitoring of the quality management systems and the environmental management systems of Abengoa's companies according to an established plan of visits. Each company is visited every six months, making a total of around one hundred visits over the year.

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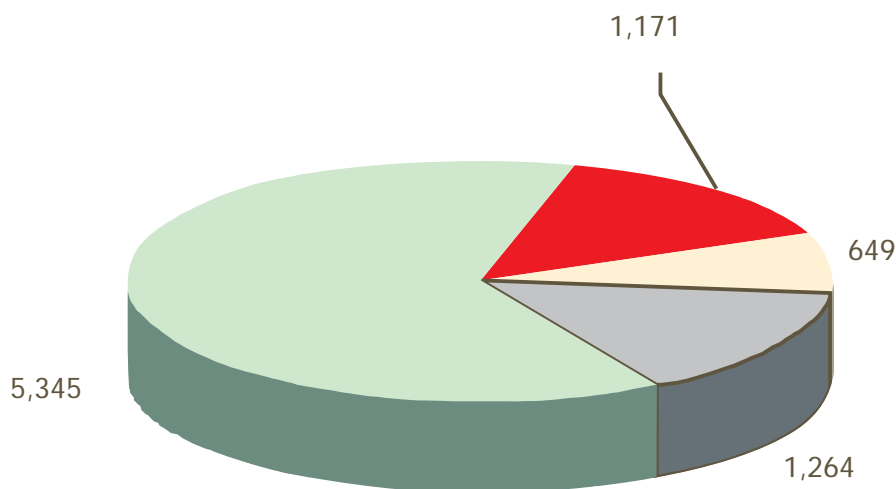
Social bottom line

Human Resources

At the close of 2002, Abengoa had a workforce of 8,429 people working in companies based in Spain and abroad.

Abengoa has an ongoing commitment to improving the professional skills and abilities of its workforce through the achievement of specific objectives, continuous progress and advances by motivating employees to meet new realistic challenges and the development of employees' potential and skills through training and career plans. Workforce skills development forms part of the competency management system that Abengoa has implemented in all its business segments. In 2002 a total of 1,017 training events were carried out providing 132,251 hours of training for 11,910 employees.

Abengoa has implemented an in-house joint occupational health and safety service covering all its companies. The activities and responsibilities of the service are described elsewhere in this Annual Report.



- Manual workers
- Admin staff
- Technicians
- Engineers

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Social action

Abengoa's commitment to social action stems from the profound conviction that the company and all the different social groups involved should work together to build and sustain a secure and caring society.

Abengoa has therefore worked on the principle that profitability and social responsibility comprise a dual bottom line ever since it was formed in 1941, a belief that is realised in specific activities linked to corporate growth, which are extended and adapted to meet the demands of different population sectors.

Different types of social action are carried out for each sector:

In-house action

One of the groups that receives most attention is formed by people who work or have worked for Abengoa and their spouses, children or orphans. Abengoa attaches a great deal of importance to such efforts, although little is known about them outside the company. The following actions were carried out in 2002 in this area:

- Education. Perhaps the biggest concern of employees at Abengoa and other Group companies is education. Abengoa runs a scholarship programme that makes the burden of school fees easier on the family economy. Grants are awarded to the children of employees, of the widows or widowers of employees, of former employees receiving sickness or accident pensions, disabled children and employees themselves who wish to continue their studies. A total of 1,324 grants were awarded to students belonging to 791 families in different levels of education in Spain and Latin America for the academic year 2001-2002, including grants for children in special education.



- Occupational health. In addition to whatever medical care may be needed, Abengoa provides employees who are ill or who have suffered an accident with personalised follow-up care to deal with psychological, personal and financial problems affecting the family as a result. An important initiative in this area is the much improved Collective Life Insurance maintained by Abengoa.
- Individualised employee guidance. This service is designed to develop human relations. Employees may use it for many different reasons: a need to talk things over, receive support, sympathy, guidance or information or to deal with specific problems, such as negotiating a bank loan or applying to the social fund for extraordinary expenses in the event of illness, etc.
- A moving ceremony is held to acknowledge the contribution of employees who have been with the company for twenty-five years.
- La Antilla Residence. Abengoa acquired a wonderful holiday complex at La Antilla beach in Lepe (Huelva) in 1972, giving a boost to what is familiarly known as Operation Summer, an initiative that started in the sixties. The idea behind it has not changed; it gives Abengoa employees the opportunity to take a break and enjoy the amenities in a convivial atmosphere. Last year, major alterations were made, including the construction of a new building to extend and modernise the complex, with a view to making the facilities more comfortable for the many families who use them and to meeting growing demand. In 2002 a total of 2,820 people stayed at the complex over the summer months.

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- Publications. Aware of the importance of communications between the company and different social groups (employees, retired employees, shareholders, customers, central and regional government, the media and the general public), Abengoa publishes a bimonthly, bilingual magazine, with a circulation of 13,000 copies, which provides extensive information about Abengoa's performance, its RDI activities, occupational health and safety, quality, the environment, social action, etc. A special issue was published in March to commemorate the life of the founder and erstwhile honorary chairman of Abengoa, Javier Benjumea Puigcerver.
- Retired employees. The magazine keeps them up to date on company news and events. They are also invited to spend a few days' holiday at the La Antilla Residence, an offer 319 of them took up last year.

External action

Abengoa's social commitment runs deep, materialising in many other activities and in different ways.

Cooperation with various institutions:

- United States-Spain Council Foundation
- Cotec Foundation
- Drug Abuse Help Foundation
- Foundation for Development Cooperation and the

- Promotion of Welfare Activities
- Foundation for Applied Economics Studies
- Integra Foundation
- Catholic Institute for Art and Industry (ICAI)
- Regional Development Institute
- Hombre Project
- Pontifical University of Salamanca
- Spanish Confederation of Foundations
- Foundation for Sociological Studies
- Prince of Asturias Foundation
- Pro-Royal Spanish Academy Foundation
- Saint Elizabeth of Hungary Royal Academy of Fine Arts
- Royal Academy of Medicine
- Royal Sevillian Academy of Belles Lettres

Another important vehicle for its social commitment is the Focus-Abengoa Foundation. Since it was first founded by Abengoa in 1982, it has been an integral part of the company, the ideal instrument to promote culture and education. A perfect institutional symbiosis has been created, as implied in the Foundation's name, to benefit business and society: significant activities based on specific strategies are conceived and implemented to give something back to society, and the positive impact of these efforts flows back into and permeates corporate values and objectives.

The Foundation's goal is to carry out transcendent activities and, in this way, contribute to preserving, disseminating and developing the historical and cultural heritage of Seville and spreading knowledge of it in Latin America. Now, on the Foundation's twentieth anniversary (1982-2002), we reassert that goal .



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In 1991, Focus-Abengoa established its headquarters at the Hospital de los Venerables Sacerdotes, a 17th century building of great artistic and historical value made over to the Foundation by the brotherhood and the archbishop of Seville. After a long and costly process to restore not only the architecture, but also the paintings, sculptures, gold and silverware, carvings, etc., Focus-Abengoa returned the magnificent building in all its glory to the people of the city and future generations, as one of the most complete and best-preserved examples of Spanish baroque architecture and art and as the backdrop to the Foundation's activities.

- Awards and grants. One of the Foundation's most firmly established initiatives is the extensive programme of prizes and grants awarded exclusively to employees of Abengoa and other companies belonging to the Group and to employees' sons, daughters, orphans and other relatives, designed to stimulate educational and training activities among young people, in accordance with the Foundation's bylaws. The Foundation also awards a prize for the best doctoral thesis on a subject relating to Seville and holds a painting competition, which is also open to entrants from European Union and Latin American countries.
- Publications. The Foundation made two new additions to its collection of publications: the monographic work entitled "1992 Seville Universal Exposition: effects on the economic growth of Andalusia" by María del Pópulo Pablo-Romero Gil-Delgado, who won the prize for the best doctoral thesis on a subject relating to Seville in 2000; and the publication entitled "See Seville. Five perspectives in a hundred pictures", which provides a highly interesting iconographic testimony of our city and its ancient kingdom (walls, streets, monuments, history and the present day). Alberto Oliver Carlos and Alfonso Pleguezuelo Hernández, who are lecturers at the University of Seville, and a team of historians formed by Antonio García-Baquero González, Vicente Lleó Cañal, Javier Portús Pérez and Javier Rodríguez Barberá were responsible for the written text. This publication was the Foundation's institutional gift last Christmas.



- Music. The musical agenda revolved around the organ, featuring three kinds of concerts aimed at different audiences. Firstly, magisterial concerts by prominent organists, such as Hayo Boerema, winner of the Grand Prix d'Improvisation at the 1999 International Organ Competition in Paris, organist and master of the chapel of St Jacob's church in Winterswijk (Netherlands); Bine Katrine Bryndorf, organ teacher at the Royal Academy of Music in Copenhagen; Emmanuel Hocde, winner of the Grand Prix d'Interprétation at the 2002 Chartres International Organ Competition, organist at the church of St Eloy in Paris; and José Enrique Ayarra, titular organist of Los Venerables church and Seville Cathedral. There were also recitals by newcomers, this year on the theme of "The influence of the Gregorian chant on organ music". And lastly, the educational recitals for secondary-school students, designed to promote the musical training of young people. Almost a thousand students from different schools in Seville have benefited from these practical classes.



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Another important event was a course on French baroque music performed on the organ held at Los Venerables church, with the support of the Seville Music Conservatory. It was attended by twenty-four Andalusian organists, who benefited from the expertise of Prof. André Isoir, the titular organist at St Germain des Prés in Paris. As in previous years, the musical programme was broadcast by Spanish National Radio on its classical music station.

- Exhibitions. A date that will go down in the Foundation's history is 21st June 2002, when Their Majesties the King and Queen of Spain inaugurated the exhibition entitled "See Seville. Five perspectives in a hundred pictures" organised to commemorate the twentieth anniversary of the creation of the Focus-Abengoa Foundation. This important event was commemorated with a plaque on the wall of the main courtyard of the Hospital de Los Venerables. King Juan Carlos and Queen Sofia unveiled the plaque, which will remain in the future as a testimony to the twenty years that the Foundation has been serving society.

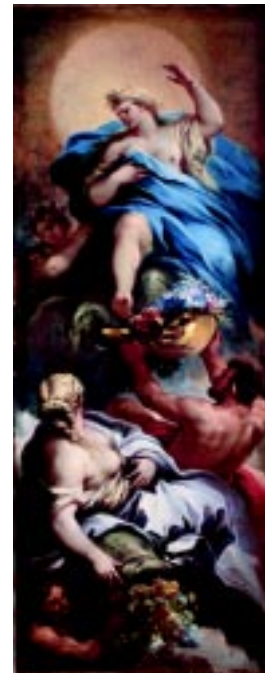


The Foundation has, over the years, formed a collection of engravings, a large part of which are on show for the first time in this commemorative exhibition. It is a temporary, touring exhibition divided into five separate sections, each of which illustrates a particular point of view or perspective: the geographer's perspective, the stroller's perspective, the festive perspective, the archaeologist's perspective and the romantic perspective. The explanatory text was written by university lecturer Alberto Oliver and the museographical work is by the artist Gustavo Torner.

Following the close of the summer season, the Hospital de los Venerables exhibition rooms displayed twenty-seven works by the celebrated Neapolitan painter Luca Giordano, better known in Spain as Lucas Jordán, in an exhibition entitled "Luca Giordano, National Heritage Masterpieces", a brilliant selection of works by this leading figure in European baroque art shown for the first time in Seville. The curator of the exhibition was Alfonso Pérez Sánchez. This is also the first time that such exceptionally valuable paintings have been temporarily removed from Royal Heritage palaces and monasteries, where they are kept, to provide an insight into the extensive and varied production of this great painter.

The exhibition was organised as part of a cultural initiative undertaken by the Spanish National Heritage Board to restore paintings by Luca Giordano in its custody. The Focus-Abengoa Foundation was closely involved in the work to restore and preserve the paintings. The two institutions worked together on this comprehensive project, which culminated in two outstanding exhibitions, one at the Royal Madrid Palace entitled "Luca Giordano and Spain", and the other at the Hospital de Los Venerables, as described above, which was inaugurated by the Spanish Deputy Prime Minister Mariano Rajoy.

The educational value of the exhibitions was enhanced through guided tours organised by the Foundation with commentaries by Sevillian volunteers who were History of Art graduates or students in their last year. On the occasion of this exhibition, the



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Foundation also inaugurated a new self-guided tour service in various languages to provide people who visit the exhibition on their own with information about the Hospital de los Venerables. It also decided to open the building to the general public free of charge on Sunday afternoon throughout the year.

With a view to publicising and promoting the work of artists, the Foundation stages an exhibition showing the paintings shortlisted for the Focus-Abengoa 2002 Painting Prize. The competition was entered by almost two hundred and fifty artists from Seville, other parts of Spain, the European Union and Latin America, who all contributed both in terms of technique and theme to the excellent level of a prize with a long tradition and renowned prestige. The first prize went to José Manuel Núñez Arias for his painting Páramo (Barren Plain). The artists who received honourable mentions were Javier Buzón Fernández for Nocturno 21 (Nocturnal 21), and Manuel Vela for Silencio Negro (Black Silence). The winning paintings are included in the Foundation's Contemporary Art Collection.

- Seminars and conferences. Within the framework of the "Forum for thought on the environment and sustainable development", conceived by the Foundation as a vehicle for reflection and discussion to promote knowledge and create public opinion on this important issue, the World Biofuels Conference was held at the Foundation's headquarters, the first to be staged in Spain. It was attended by high-ranking representatives from European institutions and national and regional governments, as well as numerous international experts.
- Other cooperation agreements. The University of Comillas has created the "Javier Benjumea Chair of Economic and Business Ethics" through an agreement with the Focus-Abengoa Foundation.



Its objectives include research into business ethics and educational activities to promote knowledge in this area, contributing to the implementation of responsible business practices in companies and organisations.