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Abengoa upholds an unwavering commitment to the quality of its products and services. It is therefore essential for the company to be able to rely on suppliers who are aware of company **expectations** and able to adapt to company needs through a **relationship of trust and mutual benefit**, given that Abengoa's suppliers constitute the source of this commitment to quality.

Ongoing contact and **fluid communication** between both parties thereby helps to ensure the best final product and hence helps us meet customer needs and expectations.

Abengoa makes sure that its suppliers are directly involved in the development of company operations by applying their expertise and technology. By implementing the best solutions proposed by its suppliers, Abengoa is able to minimize risks and streamline costs and schedules.



Supplier performance is key to efficiency in producing high-quality products and services, driving down costs and increasing profits. A structured procedure is employed in order to assess supplier effectiveness, which includes compiling information and opinions from the suppliers themselves under evaluation.

Five basic guidelines are in place to accomplish this goal, setting the tone for supplier relationships and reinforcing Abengoa's strategy: **outsourcing, leadership, globalization, local development, and integration.**



Outsourcing

Outsourcing services tagged as complementary to production ensures maximum operational optimization.

Outsourcing allows the company to focus on increasing knowledge and enhancing core business yield by incorporating the most professional services possible through the direct involvement of suppliers in day-to-day operations.

Services such as the provision of workforce specialized in different areas pertaining to maintenance and utilities, as well as the supply and application of critical products, are outsourced in view of the specific training, technology and expertise required.

Leadership

The **ongoing pursuit of excellence** in contracting industry-leading suppliers ensures innovative solutions aimed at improvement and with a significant technological component, thus enabling Abengoa to maintain its high standards of competitiveness and quality.

The company turns to suppliers renowned for their success and proven expertise for the provision of critical products and maintenance of key components.

Globalization

Contracting common suppliers throughout the different production centers enables us to offer a **more advanced and consistent service**, with standardized scopes supporting corporate procedure and balanced growth among the different production plants.

These synergies facilitate the application of global solutions that translate into cost optimization, both in management and in service development and supplies.



Local development

In turn, the focus on **local supplier development and involvement ensures coverage** of the most essential key requirements, and results in flexibility in consumption volumes and response times. All of this has a positive impact on business and industrial growth in the geographical areas in which we operate, thereby ensuring close relationships with them.

Integration

Abengoa ensures continuous **progress in productivity** and performance by **taking on board** suppliers' suggestions on how to improve.

Price-setting according to results is a basic principle of commitment to the business, and the inclusion of respect for human rights and business ethics, within the policy of environmental safety and security, further complements this commitment.

Local Suppliers

Abengoa's presence in the countries where it operates helps **to create wealth** by implementing and developing economic relationships with local suppliers.

The table below shows the percentage of purchases made from local suppliers in the main countries where Abengoa conducts its business, and which have a specific weight with respect to the group's total procurement for 2010.

Country	Total purchase volume in €k	Local supplier %
Germany	98,474.1	85
Saudi Arabia	2,014.6	75
Algeria	33,593.1	100
Argentina	84,202.4	94
Australia	3,140	57
Brazil	623,346.1	98
Canada	42,910.5	24
Colombia	198.3	100
Costa Rica	10,841	100
Chile	69,129.3	92
China	57,207.3	38
Denmark	91.5	100
Ecuador	4,150.9	81
United Arab Emirates	85,364.9	25
Spain	4,569,519.3	88
United States	793,469.6	87
Finland	3,993.3	27
France	38,530.4	65
Holland	266,690.3	43
India	18,213.7	100

Country	Total purchase volume in €k	Local supplier %
Kuwait	347.8	87
Lebanon	123.6	76
Libya	2,314.4	97
Morocco	21,368.1	96
Mexico	310,872.6	54
Panama	2,747.8	98
Peru	187,950.2	57
Polonia	812	71
Portugal	2,822.7	67
United Kingdom	8,717.1	86
Dominican Republic	426.3	100
Sweden	26,466.4	81
Switzerland	695.9	42
Thailand	75.5	100
Tunis	26	100
Uruguay	48,141	78
Venezuela	0.02	100

Efficiency in project management and **ongoing process improvement**, within the framework of common corporate culture, values and identity, are essential in consolidating and developing the positions Abengoa has achieved in the markets in which the company is established, as well as emerging markets. These are the driving forces in the quest for innovation and the pursuit of new business opportunities.

Integration of company suppliers is an essential element **in achieving these objectives**. Suppliers are viewed as strategic partners, based on the principle of partnership and unity in securing common goals, and in many cases this involves the signing of long-term mutual agreements and commitments of loyalty.

Suppliers are active participants in tender preparation, business activity development, and in customer presentations. It would not be possible to market the products and services that Abengoa offers today without a coordinated strategy.

In the case of smaller service providers or suppliers operating in regions characterized by slower development, Abengoa sometimes assists its **strategic partners** by:

- Securing financing or channels for access to financing;
- Improving their health and safety systems;
- Providing technical training geared towards occupational risk prevision.

Abengoa understands that a close relationship with suppliers and collaborators through **communication, knowledge** and **mutual support** creates value for the entire organization.

Supplier Control

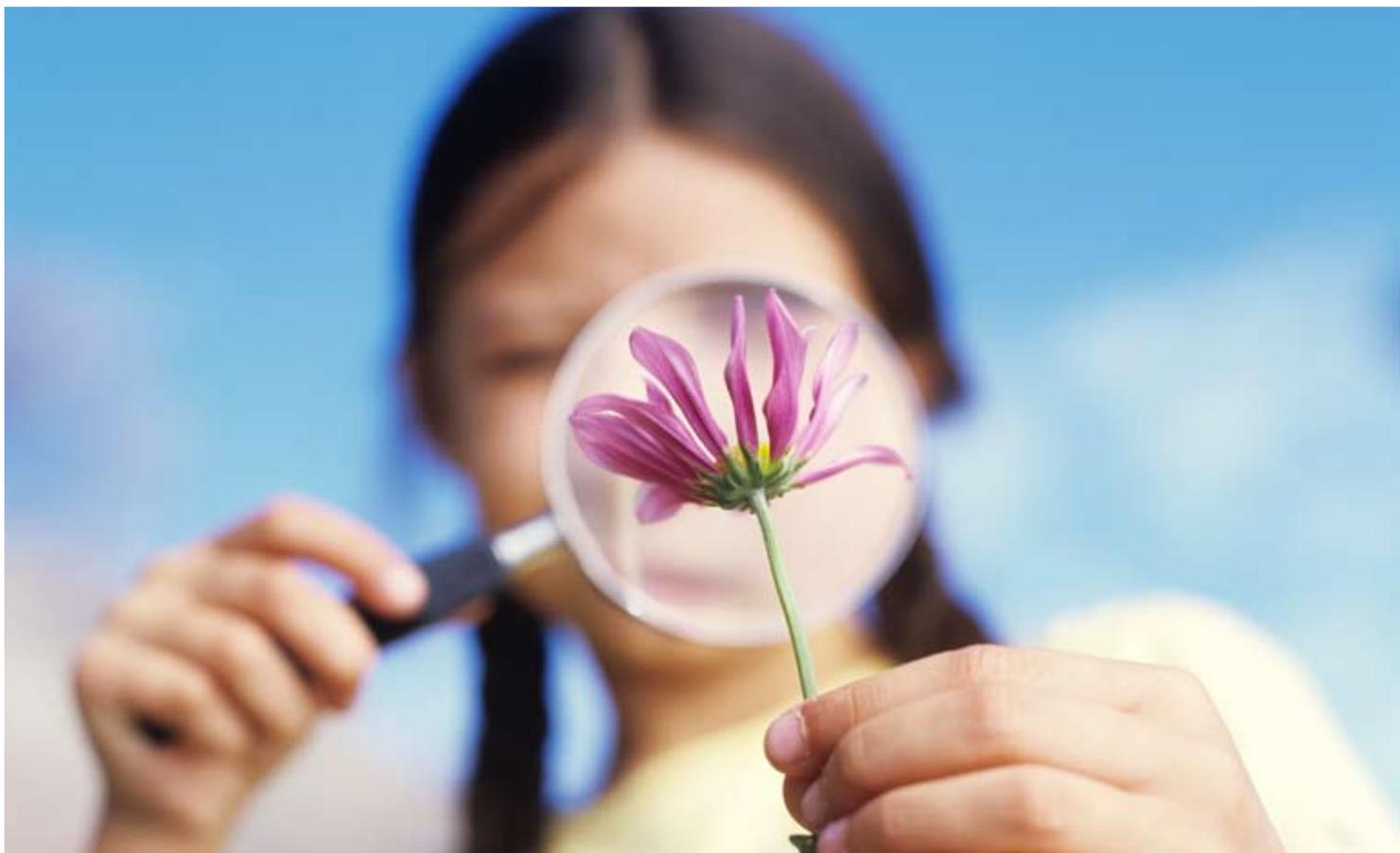
Because of the **importance of its suppliers to the company** and the role they play in meeting objectives successfully, both prior to and over the course of the relationship with Abengoa, in-depth supplier assessment is conducted on their compliance with legal and business matters, logistics, health, safety and security, quality, environmental aspects, technical issues, and after-sales service.

All Abengoa companies have **standardized supplier selection processes and control and monitoring mechanisms**. Agreements with suppliers are formalized by issuing the pertinent documents listing all the agreements reached between both parties, encompassing both the technical requirements to be met by the supplier, and the commercial conditions to be applied.



Given the importance to the company of the value chain in meeting objectives successfully, suppliers **must be endorsed** through adherence to the **Social Responsibility Code** and the **GHG Inventory**, and by meeting different criteria pertaining to quality. Periodic supplier checks and audits are also conducted.

In order for the supplier relationship to be as **fruitful** as possible, Abengoa demands the highest standards of quality, respect for the environment, and stringent compliance with occupational safety standards. In many instances, this entails an obligation to comply with different endorsement criteria, meaning that Abengoa is required to assess the technical and economic capabilities of the provider, with special attention being paid to the internal policy and procedures of the **Integrated Quality, Environment and Occupational Risk Prevention and Security Management System** implemented throughout the company in accordance with **ISO 9001, ISO 14001, EMAS and OHSAS 18001** standards, respectively.



Furthermore, within the **context of the partnership arrangements** with our suppliers and collaborators, and in order to maintain and improve the aforementioned standards, troubleshooting (TS) applications and proposed improvement actions (IA) have been implemented and made available throughout the organization. This corporate application is a strategic tool aimed at increasing competitiveness by promoting bottom-up participation from all component parts of the organization, thus including the company's suppliers and collaborators. This tool represents a tremendously valuable source of knowledge and ongoing assessment. It also mitigates risk, is self-critical and generates ideas, which in themselves ensure continuous improvement in the processes, activities, services and products we offer society.

At present, **different endorsement processes** coexist within the company and are employed according to the particular characteristics of the suppliers contracted.

Noteworthy as an example is the three-stage endorsement process used in engineering activities: authorization, selection, and evaluation. Approximately **700 national and international suppliers** have been verified using this system. In 2010, 20 % of the company's suppliers were evaluated, and since October of last year, as a result of SAP implementation, an evaluation is conducted upon each delivery, in addition to a yearly endorsement procedure.

In the water business segment of the Environment sector, supplier audits are conducted at the same time as follow-up and inspection visits to monitor products manufactured for work in progress. During these visits, the company verifies production process reliability and controls the quality of finished products. The number of suppliers audited is close to 2 %, and includes providers selected from those considered to be particularly significant in executing company projects.

In the area of biofuel production, three to five critical suppliers are chosen from among those with a significant direct impact on product quality.

These providers are audited in person to evaluate, among other aspects, their quality and environmental management system, policy and performance with respect to corporate social responsibility, and their greenhouse gas emissions inventory.



As to the remaining suppliers, evaluation and follow-up is carried out on the submitted documents. Approximately 20 % of suppliers tagged as critical are audited, representing 5 % of the total number of suppliers.

On-site auditing is conducted at solar plants during the plant construction process.

The percentage of audited **suppliers** totals **80 %**.

Greenhouse Gas Emissions Inventory

Since implementation of the **Greenhouse Gas Emissions Inventory**¹ back in 2008, Abengoa requires that all suppliers report on the **emissions associated with products and services acquired** by the company. Suppliers therefore have an obligation to provide data on the emissions associated with each company order.

In order to facilitate supplier adaptation to the new procurement conditions, a transition period of six months has been established whereby providers who are not initially in a position to report on their emissions undertake in writing to implement a reporting system. This transition period has a maximum duration of six months, after which Abengoa excludes suppliers that have not reported their emissions or who have not undertaken a commitment to implementing a reporting system. Only in exceptional cases may special authorization be granted, in which case the companies involved must submit an estimation of the emissions associated with the goods and/or services provided.

1 See chapter titled Greenhouse Gas Emissions Inventory

Adhesion to the Social Liability Code**Supplier:** (indicate the full name).....**Agreement:** (indicate the reference number if it applies).....

The following clause will be applied to the Agreement:

The Supplier declares that it has read the Abengoa Suppliers and Subcontractors Code XXXXXX (the «Code») and that it agrees to comply with it in the performance of all activities as Supplier/Subcontractor.

The Supplier may certify compliance with the Code or Abengoa Company by performing occasional audits or other types of inspection to ensure the Code is observed and the Supplier undertakes to respond immediately to any requests for information regarding compliance with the code received from Abengoa Company.

The following will be applicable to the Agreement:

Abengoa XXXX Suppliers and Subcontractors Code (established by Abengoa XXXX in compliance with the Abengoa Professional Code of Conduct)

1. All the law and standards in force in the country where the activities are performed must be complied with.
2. Human rights shall be observed, and no employee shall be subjected to harassment, physical or mental punishment or any other type of abuse.
3. As a minimum, salaries and working hours must comply with the laws, regulations and standard applicable thereto in the country in question, including minimum pay, overtime and maximum working hours.
4. No forced or mandatory labour will be used, and employees shall be free to leave their employment after giving a reasonable period of notice.
5. Child workers will not be used, and ILO standards shall specifically be complied with.
6. The employees' right to free association shall be respected.
7. Employees will be provided with good workplace health and safety conditions.
8. The activities will be performed with respect for the environment and observing all the pertinent legislation in the country concerned.
9. All products and services shall be supplied in a manner that complies with the quality and safety criteria set out in the applicable contracts, and will be safe for the purposes intended.
10. No fraudulent methods will be used to guarantee supplies of goods and services to Abengoa Company companies, for example the payment of bribes.
11. The Suppliers and Subcontractors of Abengoa Company guarantee that their respective suppliers and contractors shall comply with the duties listed above.

We, the Supplier/Subcontractor, agree and accept the contents of this document, Annex 1, which forms part of the Agreement. Signed by and on behalf of the Supplier:

(Signature and stamp of the Company)

Signed: _____

Post or responsibility:

Date:

Schedule Nº 17 - NOC-05/003 (Page 1 of 2)

Social Responsibility Code for Suppliers

To ensure the integrity of those parties that could have an influence on company activities, Abengoa requires that its suppliers sign up to the **Social Responsibility Code (SRC)** for Suppliers and Subcontractors, which includes eleven clauses based on the principles of the **United Nations Global Compact**² and inspired by the international **SA8000**³ standard.

² One of the premises of Abengoa's labor-related social policy is that of "promoting the principles of the Global Compact among company suppliers". (Internal norm NOC 04).

³ Abengoa's Labor-Related Social Responsibility Management System, in keeping with the model established under the SA8000 Standard, "involves suppliers and contractors in upholding Abengoa's labor-related social policy by establishing procedures for evaluating and selecting said suppliers and contractors based on criteria of social responsibility, obtaining a written commitment from them to comply with established requirements and developing monitoring mechanisms for subsequent verification of compliance" (Internal norm NOC 04).

Since June 2008, Abengoa requires that its suppliers, including providers of raw material, **sign up to this code** as a way of promoting adherence to and compliance with social and environmental regulations, encompassing all company productive processes and ensuring greater transparency in both company and third-party operations through a commitment to establishing a mutually beneficial relationship with company suppliers.

Subject	Agreement to Introduce a Greenhouse Gas Emission Reporting System
	<p>With regard to the goods/services _____ you supply and to enable to Company to create an inventory of all the greenhouse gas emissions corresponding to its aforementioned products/services, we ask that you sign this agreement subject to the terms and conditions set out below:</p> <ol style="list-style-type: none"> The Supplier undertakes to introduce a Greenhouse Gas Reporting System (GGRS). Annexe I "Guidelines for suppliers for the determination of greenhouse gas emissions from products supplied to Abengoa companies" is attached The SEGEI in this agreement must enable The Supplier to provide the Company with the following data on greenhouse gas emissions: <ul style="list-style-type: none"> Direct emissions. Indirect emissions associated with the consumption of electrical or heat energy. Indirect emissions associated with the goods/services acquired by the supplier for the purposes of producing the goods/services set out above. <p>Furthermore, the Supplier must provide the parameters used to calculate the emissions according to annexe II "Format of the request for information from suppliers".</p> The period for introducing the SEGEI and for supplying the data requested is six months starting on the date this Agreement is signed. Furthermore, during the transition period, the supplier will commit to providing operation data requested from them (following formats included in Point III of the Schedule N° 16). <p>The Supplier will be directly liable to the Company for any breaches of this Agreement. Exact compliance with this agreement will lead to improvements in the conditions governing the price or volume of supplies contracted by the Company. To the contrary, any breaches may lead to the Company deciding not to contract the supplier.</p> <p>This document is governed by and shall be interpreted in accordance with Spanish Law, and the Parties, expressly renouncing any other codes of law that may be applicable to them, undertake to be bound by the Courts and Tribunals of Seville.</p> <p>Yours faithfully XXXXXXXXXX Company</p> <p style="text-align: right;">Accepted and agreed: Mr. _____ <u>The Supplier</u></p> <p style="text-align: center;">Schedule N° 17 - NOC-05/003 (Page 1 of 22)</p>

In 2009, suppliers signed a total of **7,596 agreements** with Abengoa companies, and in **2010** the figure totaled **3,872**. This represents a total of **16,758 signed agreements** since this measure was implemented.

Adherence to the Social Responsibility Code	2010	2009	2008
Number of agreements signed	3,862	7,596	5,299

The Biofuel Production Supply Chain

Rapport with suppliers of raw materials (grains and vegetable oils) is fundamental in obtaining certification of these raw material inputs and bringing about a reduction in greenhouse gas emissions.

In May of last year, Abengoa excluded a provider from the supply chain for failure to comply with the policy implemented by the company regarding social and environmental sustainability. The company consequently asked its feedstock providers to reject palm oil from any group company affected by this exclusion measure.

Abengoa seeks assurance of the sustainability of all company activities. In the case of palm oil, a raw material used in producing biodiesel, employed solely at the Spanish plant in San Roque, the company requested of all suppliers that palm oil origin be both socially and environmentally sustainable based on the conditions that must be accepted and fulfilled by all suppliers in the realm of social responsibility and in controlling greenhouse gas emission levels.



The Abengoa **Greenhouse Gas Emissions Inventory**⁴, in addition to recording direct and indirect emissions of all companies that form part of the group, computes the emissions deriving from products and services acquired from third parties, including those generated in land use and agricultural practices associated with the production of raw material inputs employed in manufacturing biofuels. This led the company to refocus its purchasing policy, making it an essential requirement for all providers of goods and services to report their emissions, or to undertake in writing to establish a system for computing emissions within a given period of time.

⁴ See chapter titled Greenhouse Gas Emissions Inventory

Developing the system for computing emissions is yet a further step forward in Abengoa's commitment to the struggle against climate change, and enables the company to quantify the emissions derived from its activity on an annual basis to thereby set targets for reduction, compensation and neutralization, and label its products and services with the corresponding CO₂ emissions.

Moreover, all companies that are part of the supply chain must sign the **Social Responsibility Code (SRC)** through which they manifest their commitment to fulfilling all aspects of social and environmental responsibility set forth under the **Global Compact of the United Nations**.

The measure consisting of supplier exclusion will remain in effect until the company affected demonstrates complete fulfillment of the policy on social and environmental sustainability implemented by Abengoa.

2010 Milestones

- The percentage of procurement from local suppliers in the main countries where Abengoa operates and which have a specific weighting with respect to the group's overall procurement totals approximately 83 % in 2010.
- In 2010, 3,862 suppliers signed the Social Responsibility Code.

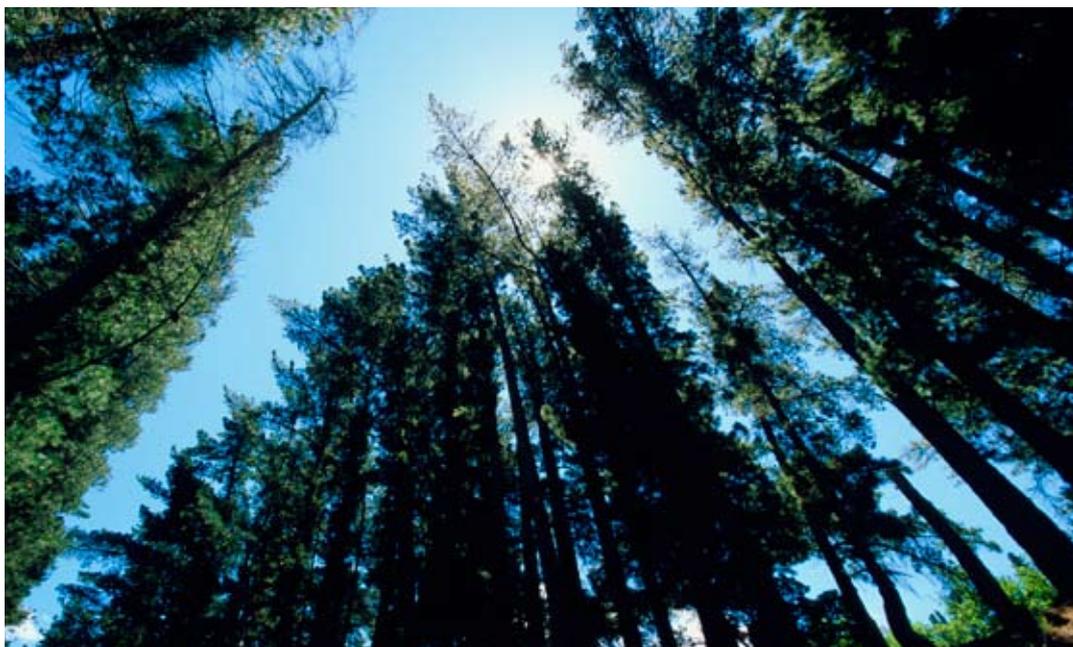
Areas of Improvement

The following areas of improvement have been detected in supplier relations management among the different Abengoa businesses, taking into account the particular activities and characteristics of each one:

- Gaining precise knowledge of the **degree of supplier satisfaction** and improvement to communication channels.
- Establishing **strategic and mutually beneficial relationships** with key suppliers in achieving goals and objectives.
- **Loyalty** as means of enabling improvements in production, performance schedules and prices.
- **Expanding the geographical sphere** of action to make the most of opportunities existing in other raw material markets as a factor to be taken into consideration for increasing competitiveness in different sectors.
- Streamlining **administrative processes** in place in the customer/supplier relationship.
- Expanding the **supplier auditing scope**.
- Obtaining **raw material inputs** that have been certified in accordance with the Renewable Energy Directive in order to ensure bioethanol production sustainability.

For all the improvement areas and opportunities mentioned above, the procedure to be followed involves drawing up a plan of action that includes goals, individuals in charge, and the required economic and human resources to ensure that each improvement area detected is addressed accordingly.

All of these must be handled through the corporate tool for improvement areas.



Future Goals and Objectives

Abengoa is currently working on the development of a **supplier auditing model**, which will be standardized and applied throughout the company, specifically incorporating Corporate Social Responsibility (CSR) criteria through which to pinpoint key suppliers.

Putting this model into practice will require close collaboration among the different purchasing departments to enable, on the one hand, selection of different evaluation criteria to reflect the particular characteristics of each company activity, and, on the other, execution of risk analysis to identify suppliers that may pose a greater threat to CSR.

Among these suppliers tagged as critical, those who pose a greater risk to the company will be analyzed and reviewed through internal audits to verify compliance with the principles included under **Abengoa's Social Responsibility Code**. In the event that irregularities are detected during this procedure, the commercial relationship with the supplier will be discontinued until the situation has been rectified.

In addition, a committee will be created to oversee smooth functioning of the model and to set the objectives to be met and analyze the results obtained from the audits conducted.

Through this procedure, Abengoa seeks to involve its suppliers in the company's commitment to Corporate Social Responsibility and sustainable development.