

08.4

Suppliers



Conveying our commitment to sustainability across the supply chain is key to our pursuit of sustainable development

**Suppliers** play a **crucial role** in Abengoa's value chain, and a supplier relationship based on trust and mutual benefit underpins the success of our business. The company also endeavors to convey its **commitment to sustainability** to all providers as an essential part of its engagement in sustainability development.

New challenges and new markets demand ongoing, consistent collaboration from the company with its suppliers in order to be able to implement solutions that incorporate the company's innovative technology, while at the same time lowering costs and delivery schedules to thereby increase efficiency.



Photograph taken by Eli Curry for the fourth edition of the photography competition on sustainable development.

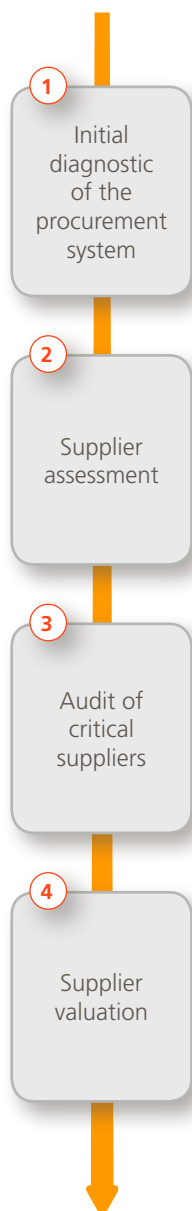
## Responsible Procurement System

Abengoa is working to implement social **responsibility in all of its lines of activity** and therefore fosters and promotes, across the entire supply chain, the principles set forth in the Global Compact, the Declaration of Human Rights, compliance in regard to the indicators established by the Global Reporting Initiative (GRI) and the company's own Code of Conduct.

In order to accomplish this objective, in 2011 Abengoa began to develop a **Responsible Procurement System** that incorporates sustainability criteria into the company's assessment of its suppliers so as to classify them in terms of sustainability, while at the same time furthering responsible, transparent practices along the supply chain. This system establishes a **collaborative model** fostering **long-term relationships** and promoting good practices in every region where Abengoa operates.

Implementation of the system is split into **four stages**: preliminary procurement system diagnostic, supplier assessment, critical supplier audits, and supplier rating.

Responsible Procurement System.



## Preliminary procurement system diagnostic

The first stage of this process involves examining the different supplier types and special supplier characteristics in order to create **a single model for supplier standardization and assessment**.

Given the diversity of the activities conducted by the company and the different features of the suppliers contracted, the purchasing system at Abengoa is decentralized. Therefore, carrying out this phase required the collaboration of those involved in the procurement system from the main group companies in order to evaluate, among others, aspects including available computer resources, the existence of supplier catalogs, the supplier rating systems, criteria applied in the different activity segments, etc.

This initial diagnostic enabled the company to define a series of short-term initiatives (system definition, evaluation of critical suppliers, and execution of audits), as well as other plans for action to be carried out in the medium and long term (single model for standardization and assessment, unified supplier catalog, and social provider procurement).

## Supplier assessment

This phase consists of annual **supplier analysis** based on a number of different variables, such as **country of supplier location, nature of the product or service supplied and type of activity** which the suppliers conducts, or on other more subjective factors associated with the company's own perception of the supplier.

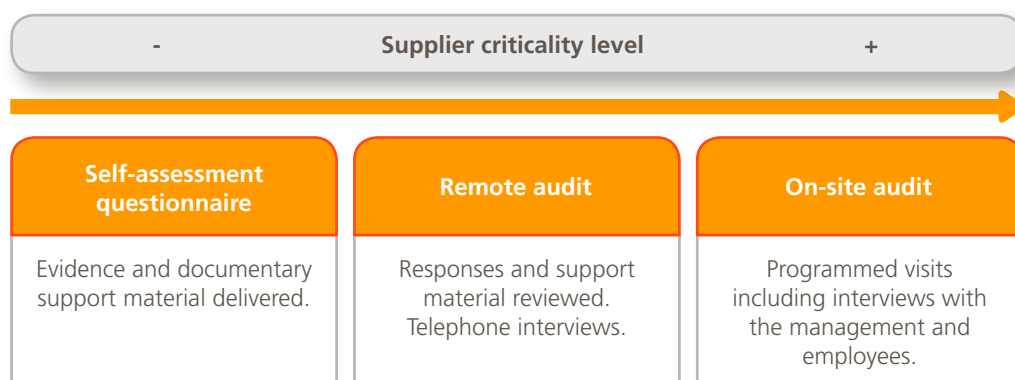
Analysis therefore starts with an assessment based on the risk level of the country where the supplier operates, during which the company takes into account recognized international indexes that categorize risk on the basis of respect for human rights (child labor, discrimination and freedom of association, among others), corruption levels and observance of civil and political rights. The basis of analysis is subsequently checked against the risk associated with the nature of the product or service supplied and the business of the supplier.

Once sensitive or critical suppliers have been identified according to the aforementioned variables, analysis is conducted on more subjective aspects related to Abengoa's internal knowledge of the supplier, its relations with Abengoa or its customers and the provider's presence in the supply chain, and so forth.

## Critical supplier audits

This phase is intended to determine the extent to which the Abengoa provider ensures compliance with the principles set forth in the Social Responsibility Code (SRC) for suppliers.

An **auditing procedure** has been created for this purpose, defining aspects which should be reviewed and establishing the scope of work **according to the degree of supplier criticality**, and with the capability to perform analyses through self-assessment questionnaires, audits conducted **remotely** or **on-site**, including visits to the supplier's facilities.



We evaluate our suppliers in terms of sustainability

Although Abengoa has set the goal of performing onsite audits of 5 % of the supplies determined to pose a high risk, 99 audits of this type were conducted in 2012, which represents 16 % of the critical suppliers identified. That is, 11 % over the anticipated figure.

Suppliers	2012	2011
Number of supplier analyses performed with respect to human rights, corruption levels and observance of civil and political rights	19,010	17,482
Number of high-risk suppliers in terms of human rights, corruption levels, and observance of civil and political rights detected in the supply chain	591	595
% of high-risk supplier percentage	3.11	3.40
% of audited high-risk suppliers	16.75	9.24
Number of in-person audits conducted	99	55

## Supplier rating

The final stage in this process consists of ranking suppliers according to the assessment conducted, assigning them each a rank depending on aspects that include best practices, or otherwise excluding them should they fail to meet the requirements established under the SRC.

In 2012, some cases of “non-conformity” were detected during the supplier audits. When this occurs, the company draws up a plan of action in order for the supplier to adapt to the Abengoa requirements in order to continue working with the company.

The ultimate aim is to work together with these providers towards resolving issues of non-compliance, attempt to convey responsible conduct throughout the supply chain, and help providers **assume responsible and sustainable practices** in carrying out their processes.

In 2012, Abengoa cut ties with five suppliers that exhibited failure to comply with requirements pertaining to sustainability management.

## Sustainability in the supply chain

Abengoa conveys its commitment to sustainability to the supply chain by means of the following initiatives, which are included under the company's Common Management Systems.

- **Supplier emission reporting for the greenhouse gas (GHG) management system**

As a product of its engagement in sustainable development, and since the implementation in 2008 of the Greenhouse Gas Inventory, the company has been requiring all of its suppliers to report the emissions associated with the products and services acquired by Abengoa.

All of the information pertaining to supplier emissions computation is included in the corporate Integrated Sustainability Management System (ISMS) application, where a module featuring direct supplier access is being prepared to facilitate the process of reporting their greenhouse gas (GHG) emissions and managing this information.

- **Signing the Abengoa CSR Code**

Since 2008, Abengoa has been requiring its suppliers to sign up to the Social Responsibility Code (SRC) for suppliers and subcontractors. This code contains eleven clauses based on the principles of the United Nations Global Compact and modeled after the international SA 8000 Standard.

It is mandatory for the supplier to undertake a commitment with the company for all business to abide by the principles governing the company supplier code.

In 2012, suppliers signed 2,146 agreements with Abengoa companies, and since the measure was introduced in 2008 a total of 16,362 agreements have been signed.

Adherence to the Social Responsibility Code (SRC)	2012	2011	2010
Number of agreements signed	2,146	2,368	2,406

- **Labor-Related Social Responsibility (LSR) Policy**

Abengoa promotes the principles of the Global Compact and the SA 8000 Standard among its partners, suppliers and contractors.

- **Training**

Aware of the difficulties suppliers may have in computing their emissions, the company partners with providers in their reporting efforts, providing guidance and holding training sessions that help suppliers adapt to the new requirements introduced into the company's procurement requirements.

The company also provides suppliers with training in environmental affairs, including procedures and action to be taken in the event of spills or discharges, steps to follow in the event of an environmental emergency, and waste management and storage, in addition to training in occupational risk prevention. In this regard, in the range of solar complexes that are currently operating, training was provided to 362 suppliers.

- **Development and implementation of the Labor Management System**

The Labor Management System establishing procedures for assessment and selection of suppliers and subcontractors based on social responsibility criteria, obtaining their written commitment to fulfilling the established requirements and developing control mechanisms so as to verify compliance.

## Local suppliers

Abengoa is a company committed to the economic and social progress of the communities in which it operates. This engagement is manifested in the high percentage of **suppliers** contracted **locally**, where the average holds at **above 82 %**.



Being able to rely on locally-based suppliers in the supply chain represents a strategy for boosting and **supporting** a stable **local economy**, accompanied by increased generation of local wealth and added value, and greater direct and indirect job creation. Abengoa thus contributes to enhancing the standard of living in the areas in which the company develops its activity, while at the same time adding to the wealth of the region by indirectly attracting investment.

Abengoa helps smaller providers or those located in regions of slower development in:

- Securing financing or gaining access to financing channels
- Enhancing health and safety systems
- Technical training geared toward occupational risk prevention

The table below shows the four countries with the highest purchasing volume and the percentage corresponding to locally-based suppliers<sup>1</sup>.

Country	Procurement 2012 (k€)	Local supplier % 2012	Procurement 2011 (k€)	Local supplier % 2011
Spain	3,855,449	80.26	4,805,909	81.52
USA	3,680,248	91.33	1,442,852	91.24
Netherlands	728,976	69.68	538,552	59.67
Brazil	643,287	72.11	413,552	89.20

Note 1: The complete list of countries is provided in appendix B.

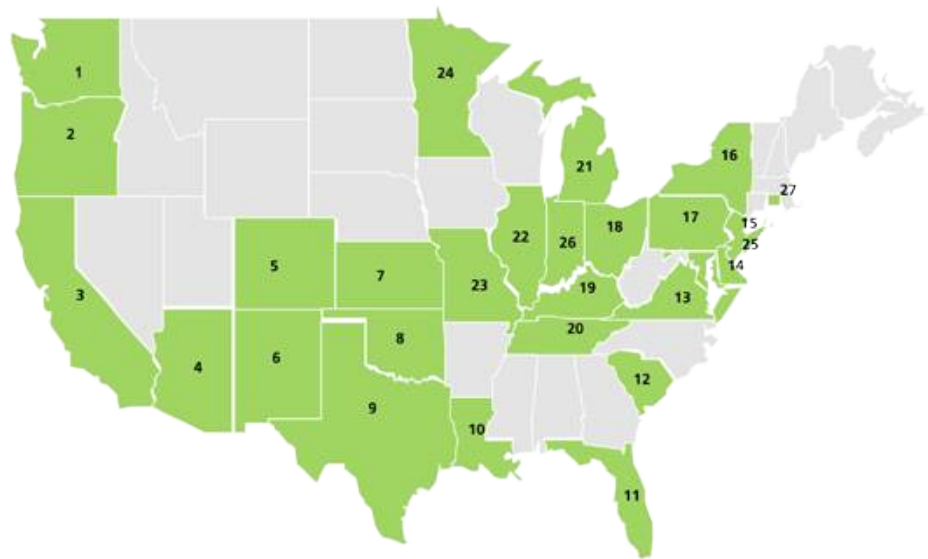
## Solana generates important benefits in the US market

The Solana CSP plant, located in the US state of Arizona, is one of the largest plants under construction in the world. With a power **output capacity of 280 MW** and **six hours of power storage** capability through molten salt tanks, the plant will have the capacity to produce and deliver energy at any time, day or night, providing more than 70,000 households with clean energy.

Scheduled to enter into operation in 2013, construction work on Solana is generating significant economic and social benefits, including, among others, an anticipated CO<sub>2</sub> emissions reduction of 475,000 t per annum once the plant begins operating, and the creation of more than **2,000 jobs**.

Plant construction has also brought benefits to the supply chain, where more than **90 companies from 27 different states** are involved. Many of these companies have opened factories in other states and have increased their staff numbers since they began to work with Abengoa on the Solana project.

Shown below are the states participating in the supply chain:



- |               |                    |               |               |                |
|---------------|--------------------|---------------|---------------|----------------|
| 1. Washington | 2. Oregon          | 3. California | 4. Arizona    | 5. Colorado    |
| 6. New Mexico | 7. Kansas          | 8. Oklahoma   | 9. Texas      | 10. Louisiana  |
| 11. Florida   | 12. South Carolina | 13. Virginia  | 14. Maryland  | 15. New Jersey |
| 16. New York  | 17. Pennsylvania   | 18. Ohio      | 19. Kentucky  | 20. Tennessee  |
| 21. Michigan  | 22. Illinois       | 23. Missouri  | 24. Minnesota | 25. Delaware   |
| 26. Indiana   | 27. Rhode Island   |               |               |                |