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Relationships Based on Trust and Mutual Benefit

Abengoa committed to the quality of its products and services

Abengoa is committed to the quality of its products and services. It is essential, therefore, for the company to be able to rely on suppliers who are aware of company expectations and able to adapt to the needs of the business through a relationship of trust and mutual benefit, for they represent the source of this commitment to quality.

Abengoa integrates its suppliers directly into the development of company operations by applying their expertise and technology. The implementation of the best solutions proposed by its suppliers enables Abengoa to minimize risks and optimize costs and schedules.

Supplier performance is key to efficiency in producing high-quality products and services, lowering costs and increasing profits. A structured procedure is employed in order to assess supplier effectiveness. This procedure includes compiling information and opinions from the suppliers the company evaluates.



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

- **Outsourcing.** Outsourcing services that are tagged as complementary to production allows us to streamline operations.
Outsourcing makes it possible to concentrate on increasing knowledge and

enhancing business core yield by incorporating the most professional service possible by directly involving suppliers in day-to-day operations.

Services such as a workforce specialized in different aspects of maintenance and utilities, as well as supplies and application of critical products, are outsourced in view of the specific training, technology and expertise required.

- **Leadership.** The ongoing pursuit and contracting of industry-leading suppliers ensure innovative solutions geared towards enhancement, with a significant technological component, thus enabling Abengoa to maintain its competitiveness and high standards of quality.

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

- **Globalization.** Contracting common suppliers at the different production centers enables the company to incorporate the most advanced and consistent service, with standardized scopes supporting corporate procedure and balanced growth between the different production plants.

These synergies facilitate the application of global solutions ensuring 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 involved in implementation, thereby ensuring a close relationship.
- **Integration.** The integration of suppliers' proposals for improvement enables ongoing improvements to productivity and performance.

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 security, 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 percentages of purchases made from local suppliers in the main countries where Abengoa conducts its business. Each percentage has a specific weight with respect to the group's total purchases in 2009.

Country	Total Purchase Volume in thousand €	Local Supplier %
Spain	3,217,895.37	80.97
United States	674,348.19	82.45
Brazil	441,670.49	97.39
Argentina	295,055.30	99.47
Holland	244,443.04	92.28
France	189,174.49	73.91
Peru	126,320.20	48.69
Algeria	117,390.25	3.32
Germany	102,155.50	86.70
Mexico	107,025.31	87.20

Case Study

Adhesion to the Social Responsibility Code

Since June 2008, Abengoa has been requiring its suppliers, including suppliers of raw materials, to sign a Social Responsibility Code (SRC) based on the international SA 8000 standard and consisting of 11 clauses. Through accession to this SRC, Abengoa promotes among its suppliers observation of, and compliance with, prevailing social and environmental norms, as well as compliance with all social responsibility-related aspects specified under the Global Compact, including all of the company's productive processes. All suppliers are required to adhere to this code.

Abengoa Supplier and Subcontractor Code

1. All laws and applicable regulations of the country where activities are conducted shall be observed.
2. Human rights shall be respected and no employee shall suffer harassment, physical or mental punishment, or any other kind of abuse.
3. At the very least, wages and working hours must adhere to the laws, regulations and norms to this effect in the country involved, including minimum wage, overtime, and maximum number of working hours.
4. Forced or compulsory labor shall not be used, and employees shall be free to leave their job after handing in sufficient advance notice.
5. Child labor shall not be employed, and, specifically, ILO requirements shall be met.
6. Employees' rights to free association shall be abided by.
7. All employees shall be provided with proper conditions of occupational safety and hygiene.
8. Activities shall be carried out with respect for the environment and abiding by all pertinent law of the country concerned.
9. All products and services shall be supplied in a way that meets the criteria of quality, safety and security prescribed by the pertinent contractual terms, and shall be secured for the established purpose.
10. In securing the supply of goods and services to Abengoa companies, there shall be no use of fraudulent means, including but not limited to bribery.
11. Abengoa Suppliers and Subcontractors shall ensure that their respective suppliers and subcontractors in turn adhere to the obligations listed above.

In 2008 at least 5,299 Abengoa suppliers signed up to the SRC agreement, and in 2009, at least 7,596 agreements were signed, thereby representing a total of 12,895 agreements since this measure was implemented.

Adhesion to the Social Responsibility Code	2008	2009
Number of adhered suppliers	5,299	7,596



2009 Milestones

- 81% of supplies procured by the group over 2009 came from local suppliers in the main countries in which Abengoa operates.
- 7,596 suppliers adhered to the Social Responsibility Code.

Abengoa is fully aware that maintaining a tight relationship with suppliers and collaborators, encompassing communication, shared knowledge and mutual support, generates value throughout the entire company

Supply Chain Management

Efficiency in project management and ongoing process improvement, within the framework of common corporate culture, values and identity, are crucial to consolidating and developing the ground Abengoa has made in the markets in which the company is established, as well as those being developed. 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 preparation and in customer presentations. It would not be possible to market the products and services that Abengoa offers today in the absence of a coordinated strategy.

In view of their importance 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 in place. Agreements with suppliers are formalized by issuing all pertinent documents, listing the agreements reached between both parties, both from the standpoint of technical requirements to be met by the supplier, as well as the business conditions to be applied.

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 occupational safety and security standards compliant with the corporate occupational risk prevention policy. In many instances, this entails an obligation to comply with different validation criteria, such that the technical and economic capabilities of the supplier will be certified, with special attention being paid to the internal policy and procedures of the Integrated Quality, Environment and Health and Safety Management System implemented throughout the company in accordance with the 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 ensure consolidation and improvement of these, troubleshooting (TS) applications and proposed improvement actions (IA) have been developed and made available throughout the organization. This corporate application is a strategic tool for increasing competitiveness and promoting bottom-up participation from all of the elements of the organization, hence from the company's suppliers and collaborators as well. This tool represents a tremendously valuable source of knowledge and ongoing assessment; it mitigates risk, is self-critical and generates ideas, which in themselves ensure continuous improvement in the processes, activities, services and the products we offer society.

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

- securing financing or providing channels for access to financing;
- improving health, safety and security systems;
- providing technical training geared towards occupational risk prevention.

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



Case Study Abener and its Relations with Suppliers

In keeping with its strategic vision, Abener forges long-term relationships with its suppliers, based on the firm belief that time generates trust and each party's awareness of the other's needs. This ultimately results in improvements in quality, response time and costs, in turn leading to enhanced competitiveness. This does not mean that the company forsakes new supply sources, which are after an additional way of incorporating new ideas that contribute to the same goal.

Furthermore, supplier management at Abener reflects the company's commitment to sustainable development by requiring suppliers to adhere to our values and standards.

To put these ideas into practice, we at Abener sign multiple supply agreements that define a specific framework in which to work: optimization of design processes, improvements to efficiency and cutting the costs of the human teams and materials

utilized in the projects. The process of continuously appraising our suppliers and the resulting feedback are key to forging a relationship based on day-to-day trust. Aply backed by Abener's technological experts, the company actively seeks out potential supply sources that contribute value, while in turn creating a whole new horizon of opportunities for suppliers.

As an example, we would highlight a collaboration agreement reached with an international manufacturer of pumping systems with which the company has worked for many years. The agreement entails improving the design of the heat transfer fluid pumps for Abengoa's solar thermal power farms. This joint initiative has enabled us to increase timeframes by 15%, up returns significantly and curb costs by over 10%. These kinds of projects are essential in a market such as solar thermal power, where improvements to efficiency are the only sure bet for the future.

Photo taken by
Gary Trautman,
from Abener, to the
1st Edition of the
Abengoa Sustainability
Photography Contest



2009 Milestones

- Implementation of a competitiveness plan, which includes the suppliers, throughout its Brazilian companies, the ultimate aim being to push Abengoa Bioenergy to the forefront of the Brazilian market.