



04

Strategy for a sustainable future

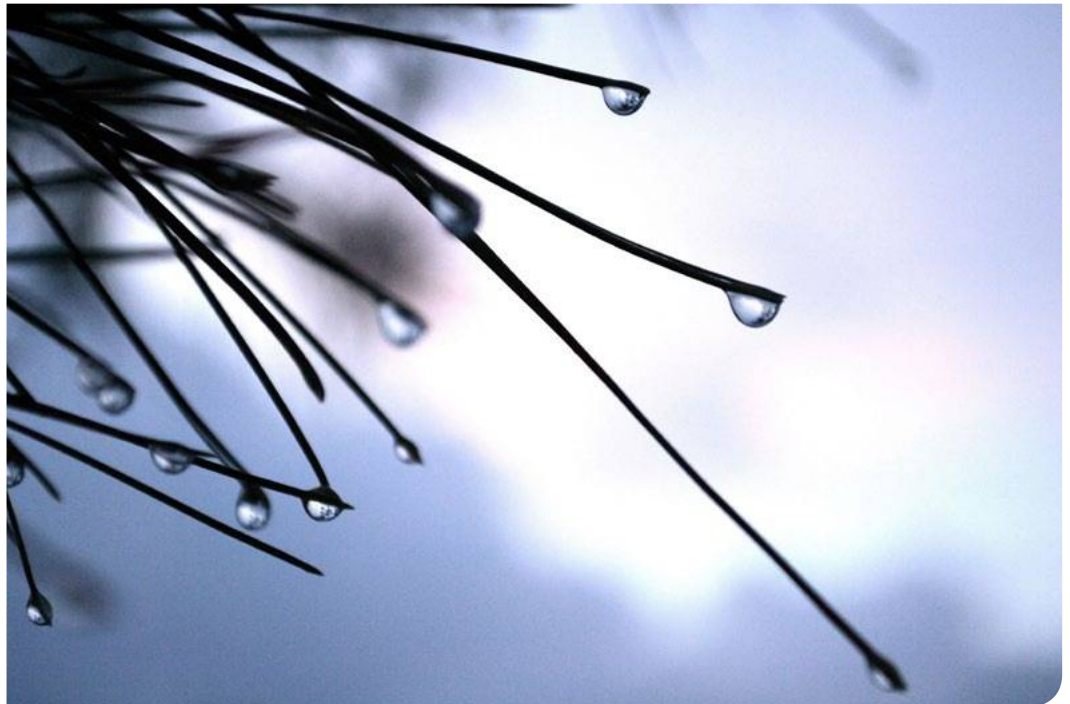
- _ Responsible management at Abengoa
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Responsible business management is the key to facing the challenges in achieving a sustainable future

Award-winning photograph from the 5th Edition of the Sustainability Photography Contest
Photographer: Fernando Suviri Iglesias.

In the current socioeconomic context, marked by a severe crisis of trust, it is essential that companies commit to responsible management of the environment in which they interact, meeting the expectations and demands of their stakeholders. A **business strategy** based on **responsibility** and **sustainability** is paramount to generating credibility in the markets and in tackling **the challenges of a sustainable future** from a competitive position.



We are looking ahead to 2020 with our new CSR Strategic Plan

Responsible management at Abengoa

Abengoa applies innovative technology solutions for sustainability, and does so through a **business model** that is respectful of **social and environmental surroundings**. The company is committed to ensuring that its performance contributes to the economic development and social progress of the communities in which it enjoys a presence, while at the same time mitigating impact on the environment.

With this aim in mind, Abengoa has powerful strategic and management tools in place to enable the company to set continuous improvement targets as part of a strategy grounded in sustainability.

2020 Strategic Plan for Corporate Social Responsibility

In 2008, Abengoa developed a Corporate Social Responsibility (CSR) Strategic Plan which established the **strategic lines** to be followed throughout the company in matters relating to responsible business management in its three dimensions: economic, social and environmental.

Since then, the CSR Strategic Plan at Abengoa has become a key tool for defining solid CSR policy for all businesses and geographies in which the company operates, based on reliable and consistent management systems.

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Although the plan has been revised on an ongoing basis for the purpose of aligning it with the company's strategic goals, in 2013, Abengoa began working on the definition of a new one. It is focused on the target period of **2020** and the goal is to turn **CSR** into a **competitive advantage** and a tool for **achieving business objectives**.

The implementation of this new plan is envisaged for 2014, and preparation of the plan has taken into consideration the recommendations of the Independent Panel of Experts on Sustainable Development (IPESD)¹, the materiality analyses² performed in recent years and the global challenges in social and environmental affairs (macro-trends). A total of **28 interviews** were held with key senior managers to analyze the company's positioning in light of the macro-trends and the business strategy from now until 2020.

Runner-up prize-winning photograph from the 5th Edition of the Sustainability Photography Contest.
Photographer: Sadananda Nayak.



Note 1 For more information, see the chapter on "[Independent Panel of Experts on Sustainable Development](#)" section.

Note 2 More information in the chapter "[About this report](#)" section.

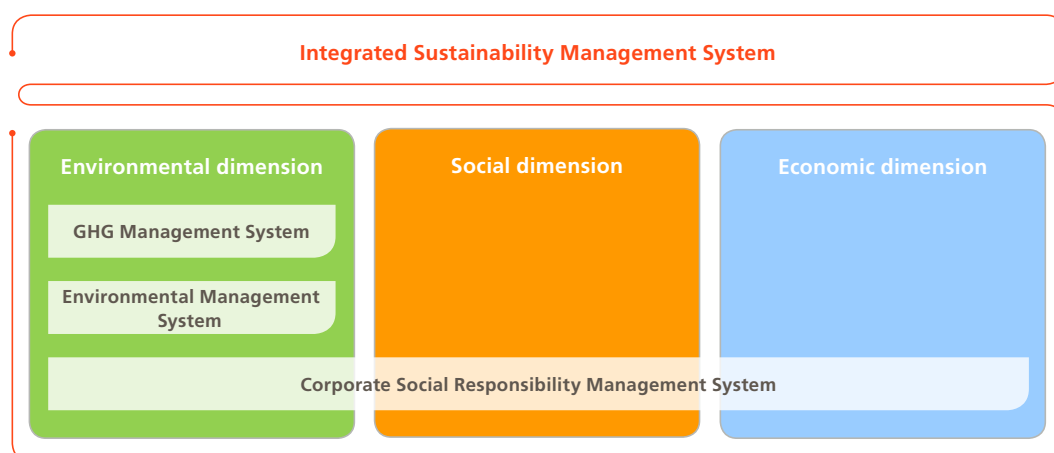
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The ISMS which now has 3,024 users, guarantees the reliability of the information reported.

Tools for responsible management

To ensure proper management of its performance, Abengoa has an Integrated **Sustainability Management System (ISMS)**³, a tool created by the company itself. This application is used to gather data connected with the environmental, social and economic impacts of its activities in order to obtain consistent and reliable information that will enable the company to enhance the decision-making process, set improvement targets, mitigate negative impacts, and report information to stakeholders.

The ISMS, which has more than **3,024 users** within the company, consists of three management systems associated with the different dimensions of CSR: the Greenhouse Gas Management System (environmental dimension), the Environmental Management System (environmental dimension) and the Corporate Social Responsibility Management System (social, environmental and economic dimensions).



Each year independent external entities audit the ISMS to ensure the truthfulness of the information reported. These independent review processes are carried out with a reasonable level of assurance⁴.



United Nations Global Compact

Since 2002, Abengoa continues to uphold its commitment to the United Nations Global Compact (Global Compact), by which it undertakes to implement the [ten principles](#) in its activities and strategies.

From 2005 onwards, the company has annually published its [Progress Report](#) on the Global Compact website to report to stakeholders on the actions it has taken over the previous year in relation to implementation of the ten principles of the Global Compact. The purpose of the report is twofold: on the one hand, to identify progress with respect to the previous year and, on the other, to afford the company greater transparency.

Note 3 More information can be found in the [Environment](#) section of this report.

Note 4 See more information in the chapter ["About This Report"](#) section.

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Future global challenges

Social

- Reinforcing and systematizing stakeholder **dialog**.
- Consolidating **pride in being a part** of Abengoa by enhancing the company's relationship with its employees.
- Creating a **policy of responsible purchasing** based on unified procedures for all Abengoa companies.
- Successfully implementing the **new 2020 CSR Strategic Plan**.
- Intensifying specific training associated with the company's **Code of Conduct** and the use of the **whistleblower channels**.
- Bolstering the **human rights protection** policy by developing mechanisms for due diligence and remediation in line with the Ruggie principles.

Runner-up prize-winning photograph from the 5th Edition of the Sustainability Photography Contest. Photographer: Antonio López Mayor.



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Environmental

- Boosting decision-making at all levels by including environmental criteria.
- Implementing **Global Footprint labelling** in company projects to inform the market of their impact on the environment.
- Continuing to move forward in CO₂ labelling
- Strengthen the system of risk assessment associated to climate change
- Systematize the establishment of emission reduction initiatives through directed actions

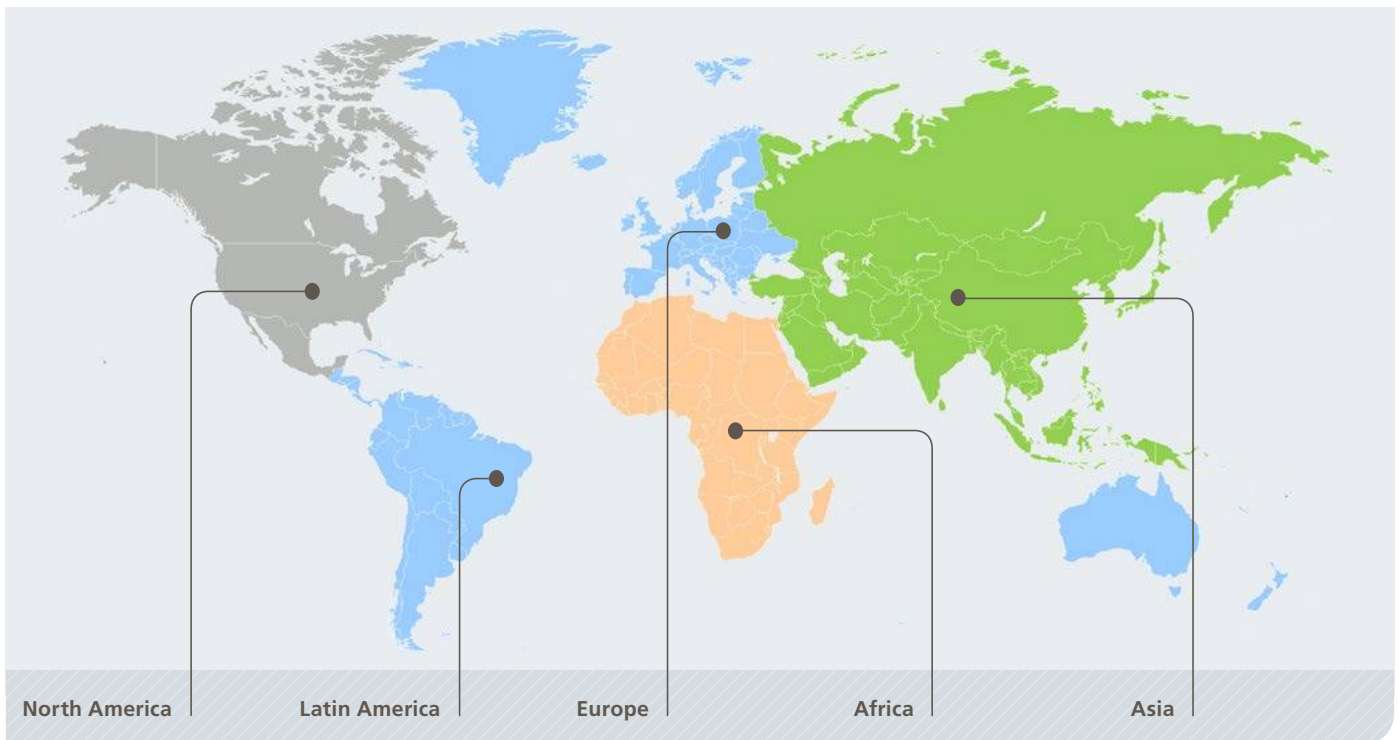
Economic

- Stepping up independent review of **governing bodies**.
- Establishing common policies to improve **customer satisfaction**.
- Increasing and intensifying contact with **ESG investors** (environmental, social and governance-related responsibility-driven).
- Increasing company value and ensuring maximum market **visibility and transparency**.
- Creating **dialog channels** adapted to new technologies to enable a better flow of information between the company and domestic and international financial communities.
- Maintaining **continuous information** flow with investors and shareholders.
- Consolidating Abengoa as a technology company by centralizing the company's innovation and technological development capabilities through **Abengoa Research**.
- Promoting **new businesses** based on technological development to contribute to Abengoa's diversification and growth.
- Consolidating and continuing to increase the number of activities conducted by the **anti-fraud auditing team**.
- Implementing the improvements needed in the Common Management Systems for compliance with the components and principles of the **Committee of Sponsoring Organizations (COSO)**⁵.
- Creating a monitoring and follow-up program to ensure compliance with the stipulations of the **Foreign Corrupt Practices Act (FCPA)**.

Note 5 Organization that defines internal control system methodology.

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Future challenges by geography



- Consolidating relations with organizations that promote CSR in the country in question.
- Promoting international presence of the Focus-Abengoa Foundation.

- Increasing and strengthening the relationship with the media and stakeholders.
- Stepping up supplier audits in areas entailing human rights violation risks.
- Driving forward social development-based training programs in more companies (Powerline Technician School).

- Strengthening the relationship between the Focus-Abengoa Foundation and employees.
- Increasing participation in joint projects.

- Implementing the Digital Identification program (Print project).
- Ensuring proper implementation of the management systems.
- Increasing and strengthening the relationship with the media and stakeholders.
- Stepping up supplier audits in areas entailing human rights violation risks.
- Adapting and reinforcing internal control and the Common Management Systems in smaller companies located in strategic territories under expansion.

- Implementing the Digital Identification program (Print project).
- Implementing management systems accordingly.
- Stepping up auditing of suppliers in areas entailing risk of human rights violations.
- Adapting and reinforcing internal control and the Common Management Systems in smaller companies located in strategic territories under expansion.

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CSR contributes to financial performance

In 2013, Abengoa, together with **Forética**, whose organization the company joined this very year, undertook an exhaustive analysis of **CSR performance** and its influence on the most relevant financial indicators (KPI), for the company and in the business sector.

Using a record of more than 60 CSR indicators and cross-checking them against critical financial variables, the analysis involved examining which elements maintain greater correlation between CSR performance and a favorable evolution in the financial component. The results of the analysis are consistent for Abengoa and for the rest of the companies in the sector.

Three levels of correlation between CSR and financial performance were observed:

- High, with **positive contribution** to business, which includes the cost of capital and growth.
- Medium, with **neutral contribution** to business, which encompasses profit margins, *profitability* (ROE, ROA and ROI) and stock market evaluation (PER, Price/Cash Flow, Price/Book Value).
- Low, with (high) **negative contribution** where there is efficiency in the balance sheet (asset rotation).

Whith capital cost bearing the highest correlation with CSR performance, it can be observed that CSR elements have greater **potential to contribute** to improving our financing cost drivers. Thus, the battery of indicators linked to society, innovation and environmental performance are those most strongly correlated for both Abengoa's CSR and for the company's business.



Note: The figures indicate the degree of positive or negative correlation (from 0 to 1) between CRS indicators and financial performance.



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This leads to two conclusions of the utmost importance to Abengoa. In the first place, **CSR** has tremendous potential for **contributing to business** and for **creating value** from the **financial standpoint**; secondly, part of this potential is not being fully gleaned by the markets.

While Abengoa integrates CSR into its global strategy and measures performance rigorously and systematically, it would seem to be necessary to **enhance communication** with **stakeholders**, particularly with socially responsible investors, regarding the company's commitment to responsible management, which will result in a positive contribution to their portfolios—through risk management and business quality—while at the same time enabling the company to gain access to more stable investors with excellence in risk management.

Awards and acknowledgements

In 2013, the company received **more than 20 awards and recognitions** in the realms of Innovation, Corporate Governance, Excellence in Quality Management, Safety and Occupational Risk Prevention, Environmental Sustainability, and Social Development.