



Annual Report 2009  
**ABENGOA**

**16**

**Report on the Conclusions  
of the IPESD**

## **Concluding Report of the Independent Panel of Experts on Sustainable Development**

### **Introduction**

The Panel was appointed in November 2009 to conduct an analytical review of Abengoa's 2008 Corporate Social Responsibility Report with the objectives of:

- 1) Improving the transparency of information about the company's CSR, and
- 2) forming a value judgement on the materiality of the company's CSR report and its responsiveness to stakeholders.

The scope foreseen for the Panel's work comprised:

- a reading of the 2008 report;
- the formulation of questions to management asking for clarification and additional information;
- a review of the company's responses to these questions.

In addition to the Panel's review an independent audit of the accuracy of the data included in the report is conducted by the company's external auditors.

The Panel was tasked with reviewing the report independently and without the opportunity for direct dialogue with management. Given these parameters, our concluding comments are based entirely on the written documentation reviewed.

The Panel greatly appreciates the opportunity to review Abengoa's 2008 report and welcomes the company's commitment to transparency and the extensive information available. It acknowledges the openness of Abengoa to improving its CSR reporting by subjecting the reports to independent review and to external audit. At the same time the Panel emphasizes the need to embed CSR in the company's strategy and operations. The objectives related to Abengoa's CSR are frequently formulated in general terms and information on operational processes and specific targets could be better communicated in the report. The Panel suggests that a transparent commitment to reaching targets would improve accountability and the substantive value of what CSR means to the company.

### **General observations on the 2008 report**

The 2008 report is very long and the English-language version is not always easy to read. As a result it is difficult to extract Abengoa's CSR strategic direction and key messages. Attempts to shorten the document would improve the quality of the report as an instrument of good communications. This would entail a tight focus on the most material issues for Abengoa and its stakeholders while providing links to additional website information and greater use of cases to illustrate progress as well as challenges.

### **Specific comments on Abengoa's responses to the Panel's questions**

In relation to the question and answer process, we believe that overall the answers provided have improved the level of information available to stakeholders and further clarified Abengoa's position. We are therefore satisfied with the responses received and limit our comments in the following to those areas where, in part because of the nature of the process, the answers have not fully met our expectations. Our comments are referenced to the numbering of the original questions given to Abengoa:

- 1) The Panel would have welcomed publication of GHG emissions reduction targets as well as a commitment to future public disclosure of performance against these targets.

3) The Panel gains the impression that Abengoa's response to climate change is following a slow process: setting up a measurement system, reporting on the results of measurement, and finally working towards emissions reduction targets. If correct, this explains why the report focuses more on reporting than on taking action.

4) and 5) The Panel acknowledges Abengoa's arguments that first generation biofuels and indirect land use changes are not currently a problem but is concerned that the company is underestimating their growing challenge to sustainability. It suggests the report would benefit from recognising the diverse positions on biofuels and the imperative to continue following latest research and development.

11) Abengoa's large solar project, Solucar, is provided as a good example of community dialogue. However, the way in which conflicts with the affected local communities are resolved is not expanded upon, and this could provide valuable insight into Abengoa's method of interacting with community stakeholders.

14) The Panel welcomes the disclosure of absolute data of women employees. Both the disclosure of trends over time, including numbers of women in middle management, and of targets towards which the company's policies are directed would be helpful.

18) While recognising the difficulty in practice of fully eliminating facilitation payments, the Panel notes that current policy, as formulated, leaves wide discretion to the individual employee to continue to make such payments. The Panel sees the need for a clearer statement on the company's policy towards facilitation payments.

19) The Panel remains unclear about Abengoa's policy on serious injuries and fatalities, and suggests that confirmation of a zero tolerance policy would clarify this.

20) The Panel had asked for information on the outcome of the CSR strategy review and resulting revised targets while the response talks of business areas and functions reviewed and processes followed. We would hope further information can be forthcoming in Abengoa's 2009 CSR report.

February 19, 2010



Signed by the President of the IPESD on behalf of all the Members of the Panel

## Climate Change

1. What is Abengoa's Climate Change strategy? What are the targets that are in place? Is Abengoa legally bound to those targets or are they voluntary? How does Abengoa monitor them?

Abengoa's strategy is to place climate change and sustainable development as the cornerstones of the company's business activity and policy on sustainability. Targets in place include the quantification of the Greenhouse Gas (GHG) emissions of the company's entire range of activity, in addition to promoting emission reduction plans and product labeling.

Regardless of the companies included under the National Emission Rights Allocation Plan, and while there is no legal obligation to this effect, all Abengoa companies are necessarily bound by internal norms to carrying out a thorough inventory of the GHG emissions associated with their activities. GHG control data, which are reported on a monthly basis, are audited annually by an independent third party. This procedure was followed in 2008 and is also the course of action for 2009.

Reduction targets are reported to the Sustainability Department and will be part of each company's annual objectives beginning in 2010; however, some of the measures proposed were partially implemented in 2009.

Since completion of the 2008 GHG inventory, efforts have been focused on promoting preparation of emission reduction programs in all companies.

The first official communication to this effect took place on March 4, 2009, establishing the timeframe for the initial definition of objectives, with the deadline being May 4, 2009. Companies defined reduction targets for the three scopes, taking into account the characteristics of their inventory. The reduction plans include the cost of the measures, 2009-2010 as the time period for executing them, and the reduction percentage in tons of CO<sub>2</sub> for each one of the measures proposed.

The following three measures serve as examples:

- Abengoa Solar will contract certified green energy in the company's Madrid offices, with an estimated reduction of 36.5 tCO<sub>2</sub> and a cost of 1536 €. This measure will be implemented during the first quarter of 2010.
- In 2010, Befesa will replace fossil fuels with biodiesel and biomass, for use in both reducers, as well as industrial zinc recovery processes. With an estimated cost of 75,000 € and an anticipated emission reduction totaling 488t CO<sub>2</sub>.
- Telvent is in the process of replacing a fleet of 38 diesel fuel-powered vehicles with vehicles running on e85 bioethanol in two of its companies. This will be completed in 2010, and the estimated global reduction totals 149.70 t CO<sub>2</sub>, based on the following calculation:

$$R = ((V_s / V_a) * 0.75) * C.M.$$

V<sub>s</sub> : substitution vehicle (e85 bioethanol for diesel fuel)

V<sub>a</sub>: average company vehicle fleet as of 12/31/08

C.M. : 2008 inventory mobile combustion emission total

75.46%: e85 bioethanol CO<sub>2</sub> emission reduction proportion with respect to diesel fuel.

2. To what extent is Abengoa supporting the transfer or diffusion of its technology to other countries (particularly developing countries) where the company operates, so that the host country can benefit from it?

Abengoa executes technologically innovative projects throughout the world. Generally, implementation is carried out with local partners and through the support of local scientific and research communities. Technological diffusion is a twofold process. On the one hand, the project itself entails demonstration in other countries and verification that sustainable development may be achieved through projects integrating innovation, and, on the other, working with local partners and entities affords these participants knowledge of the technologies employed in the project.

An example of this is the Zhang Jiagang project in China for generating electricity by means of residual heat recovery. Technological transfer takes place through consulting work executed via a partnership between Zeroemissions and the U.S. MECS company in order to provide this Chinese company with Heat Recovery System technology that contributes to savings in electrical power consumption, implementation of clean electricity generation for a sulfuric acid factory, and the addition of an integrated industrial plant control system.

3. References to measurement and inventorisation of GHG emissions, including scope 3 emissions, are commendable and the important first step to being able to reduce one's emissions. What methodology is being used? What are the results? And how is this information being used to direct and inform the strategy and targets of Abengoa?

The methodology for quantifying emissions is reflected in Abengoa's Common Management Systems, specifically under the internal norm referred to as 05/003 which, according to the auditors, has been prepared according to the specifications of the ISO 14064-1 International Standard for Principles, Design and Development of GHG inventories and quantification of direct and indirect emissions, including emissions associated with acquired goods and services, and which is comparable to the ISO 14064 Standard. This internal norm links the preparation of Abengoa company inventories to purchases of goods and services, limiting the supplier relationship to those who commit to reporting emissions associated with the products and services they supply to Abengoa companies.

This results in a thorough Scope 3 inventory that applies to all Abengoa companies worldwide, is audited externally, and which incorporates, moreover, a system of internal checks and verifications. The information obtained is allowing companies to establish their reduction strategies and to set annual targets that are integrated into the Abengoa strategy for dealing with climate change.

At this point in the development of Abengoa's inventory system we are implementing a computer application that will facilitate comparability of emissions among suppliers of the same type of products or services.

Therefore, Abengoa's strategy with respect to supplier conduct and response to the policy on climate change performance was to exclude suppliers who do not report their emissions or those who do not undertake to implement a reporting system; with the exception of suppliers who are excluded via NOC authorization, in which case companies have the obligation to estimate the significant emissions of the corresponding provision. And, at present, the strategy also involves executing the stipulations of the common management systems, specifically the provisions under Norm 05/003 of the GHG emissions inventory in point B) of section 5.4.1.2.:

“Companies are obligated to provide, within six months, a system for classifying products and services which contains identification corresponding to each one of its suppliers and each one of its provisions or orders, as well as the attribution of GHG emissions associated with each order, in accordance with the Scope 3 stipulations under this norm.

The purpose of this purchasing classification system is to enable comparison of the GHG emissions incorporated by the companies within Scope 3. The system will enable discrimination in orders to be placed by the company with suppliers and their products and services depending on the emissions produced in each case.

In the event that each company proposes formalization of an order identified in the classification system as not reflecting the lowest volume of GHG emissions, this must be handled through a NOC authorization.

Each company's system must facilitate, by means of system administrator supervision, prevention of record repetition or different emission volume allocations for the same order.”

Through this initiative, Abengoa has added yet another element, emissions allocated to orders, and to the purchasing system (price, schedule, technical assessment).

## Biofuels

4. What is the Abengoa strategy related to the climate change impact of biofuels? Considering their potentially negative ecological, economic and social impact, how are first-generation biofuels included in the strategy? Are these regarded as a transitional response?

The Abengoa strategy in relation to climate change is described in the mission and vision of its Abengoa Bioenergy subsidiary, where the “contribution to sustainable development of the transportation fuel market by means of employing renewable energy and environmentally-friendly technologies that lower carbon emissions” is established as being a fundamental operational target. This commitment to innovative technological solutions to mitigate the effects of climate change is primarily based on the attainment of Greenhouse Gas (GHG) reduction which biofuel use enables with respect to the use of fossil fuels.

The cereal-based bioethanol produced by Abengoa Bioenergy leads to GHG emission savings totaling around 35 to 65% according to the life cycle assessments conducted following the criteria established under the European directive on the promotion of renewable energy sources (Directive 28/2009/EC). This figure could reach up to 75% in the case of bioethanol produced in Brazil from sugar cane. In the case of bioethanol obtained from cellulosic biomass, emission savings would be even higher. Similar totals for emission savings and lower fossil energy consumption are obtained in biodiesel production.

However, this struggle against the impacts of climate change would be incomplete unless the basic underpinnings of sustainability are maintained, in both the present situation, determined by the production of conventional biofuels derived from grains and oleaginous seeds (“first generation”), as well as the developmental avenues foreseen by the Company, which will be marked by the technological maturing of “second-generation” biofuels.

From an environmental (ecological) standpoint, in addition to GHG emission reduction, it must be pointed out that the provision of raw materials for Abengoa Bioenergy operations is derived mainly from consolidated agricultural suppliers bound to good farming practices (such as, for example, those regulated in Europe through the Common Agricultural Policy), ranging from water, soil and atmospheric contamination reduction to proper treatment of livestock or the efficient use of fertilizers.

Abengoa Bioenergy requires that its raw material suppliers guarantee the origin of their agricultural production, which, in addition to enabling control thereof, facilitates calculation of the GHG emissions associated with the products they supply. These data allow selection of suppliers to be made depending on best environmental performance.

From a social point of view, Abengoa Bioenergy requests that all of its suppliers comply with a Code of Social Responsibility (based on the ten principles of the Global Compact), promoting the incorporation into the supply chain of good social practices; among others, respect for labor rights, equal treatment, non-slavery, etc.

And from the economic perspective, the use of biofuels entails both a global reduction in foreign energy dependence and a means of local support for the agricultural production and technological development sectors in the communities where the company operates, as well as employment stabilization and social well-being.

In short, the predominant theme marking the Abengoa Bioenergy strategy is the company's commitment to technology as a solution to the problems involving climate change in the transportation industry, with the following representing the main aspects of this strategy:

- Bioethanol and biodiesel marketing enabling a considerable reduction in both GHG emissions and fossil energy consumption, constituting the best viable alternative to fossil fuels in the transportation sector for lowering GHG emissions.
- Upholding adherence to the pillars of sustainability in all company operations, both present and future, without employing temporary solutions.
- The use of raw materials originating from consolidated suppliers who observe good farming practices (ecological impact), promotion of social aspects through adherence to a Code of Social Responsibility (social impact), reduction of foreign energy dependence, and promotion of the local productive scheme in necessitous sectors, such as agriculture or technological research, in delivering their products (economic impact). This makes it possible to minimize potential negative incidents associated with the first-generation fuels developed by Abengoa Bioenergy.
- Second-generation biofuels will inherit and uphold this respect for sustainability in the struggle against climate change.

5. Is Abengoa measuring the carbon footprint of its biofuels and in particular is the company including the impact of (indirect) land use change related to its biofuels production?

For several years now, Abengoa has been developing a set of tools and initiatives that enable the company to determine the Greenhouse Gas (GHG) emissions associated with its products based on the criteria established under prevailing regulations and standards.

The chief rationale in carrying out these initiatives is twofold, insofar as it provides clear proof of the environmental performance in company operations and the efforts made towards improvement, and because it constitutes a tool for evaluating the technological decisions the company must face in the future.

Initiatives undertaken in the field of biofuels are the following:

- Calculation of GHG emissions linked to raw material:  
In 2007 Abengoa Bioenergy developed specific software for tracing raw materials consumed in all of the company's bioethanol production plants by calculating GHG emissions in all process stages.
- Calculation of production plant emissions:  
The company has a tool which, by describing all energy inputs and characterizing the operational processes and parameters of each production plant, enables the company to determine the emissions associated with raw material conversion processes.
- Calculation of emissions linked to transportation and commercialized bioethanol:  
These procedures are rounded out with tools for calculating the emissions linked to bioethanol transportation, and for computing the emissions involving bioethanol acquired through trading transactions.
- GHG coding and calculation system:  
Abengoa Bioenergy is completing the development of a system for coding processed material and the product generated in all of this business unit's companies, which will facilitate calculation of the GHG emissions of all of its products, in accordance with the methodology established under European legislation, specifically pursuant to Appendix V of the Directive on the Promotion of Renewable Energy Sources (Directive 28/2009/EC).  
This system is being developed via procedures that will apply to all companies involved: raw materials procurement, production plants, and bioethanol marketing and distribution companies, for them to make proper use of the tools described above. The system, currently at the final design stage, will begin to be implemented and generate information on GHG emissions in Europe beginning in January 2010, with external certification assurance availability scheduled for April 2010. Companies in the United States and Brazil will later follow the same procedure.

Through these initiatives, Abengoa has moved ahead, anticipating European legislation, which applies to most of the company's plants, according to which there is no obligation to report the specific amount in terms of the reduction of GHG emissions until 2013.

Finally, with regard to quantification of the emissions linked to Indirect Land Use Changes (ILUC), international debate on the matter remains open, and the present consensus is that:

- There is no rigorous methodology based on scientific evidence enabling quantification of the emissions associated with these ILUCs (both positive and negative), and
- In the event it were to exist, this methodology must include not only the emissions associated with raw material ILUCs, intended for biofuel production, but also those linked to all uses of biomass. Analysis must also be conducted on the indirect impacts associated with oil exploitation and the production of petroleum derivatives in order for the comparison of biofuels with the product they replace to be consistent.

In any case, even though this influence cannot be quantified, the potentially higher indirect impact on GHG emissions associated with the detriment of high carbon reserve areas (such as tropical rainforests and ecosystems) due to increased utilization of grains, is considered to be very low because land allocated to grain production has decreased at a constant rate worldwide since the beginning of the 80s, in spite of the growing demand for bioethanol. For example, in the 2008-2009 period alone, world cereal cultivation area dropped by almost 3.7 Mha as the result of significant increases in agricultural productivity, and in the U.S., per hectare corn yield has risen by 38% over the last 20 years (United States Department of Agriculture, Foreign Agricultural Service; Production, Supply and Distribution (PSD) database, <http://www.fas.usda.gov/psdonline>)).

Along these lines, 90% of anticipated growth in world agricultural production in the coming years will come from presently existing croplands through increased agricultural yield and investments in agricultural infrastructure (FAO, World Summit on Food Security, Rome, November 16-18-2009 "Feed the world to eradicate hunger").

U.S. corn exports have increased since 2007/2008 to levels that far exceed the average in the last 10 years, despite having reached a record level of bioethanol production. It is estimated that corn exports for 2009/10 will be at an all-time high; in addition, the bioethanol industry has exported a record amount of livestock feed (a byproduct obtained during the ethanol production process) to livestock producers all over the world in the last year. (United States Department of Agriculture, World Agricultural Outlook Board; World Agricultural Supply and Demand Estimates Nov. 2009, <http://www.usda.gov/oce/commodity/wasde/>, y United States Department of Agriculture, Foreign Agricultural Service; Import/Export database, <http://www.fas.usda.gov/US Trade/USTExHS10.asp>).

Furthermore, this downward trend in land allocated to agricultural production in parallel with the growing demand for biofuels enables us to project that it will not compromise the supply of commodities for human nutrition, by being able to meet the additional production demand required for biofuels by 2020 through improved agricultural yield (United States Department of Agriculture, Foreign Agricultural Service; Production, Supply and Distribution (PSD) database, <http://www.fas.usda.gov/psdonline>)).

Numerous sources indicate that the world currently has enough arable land to produce biofuels in a sustainable manner for years (Tobias Wiesenthal et al. "How much bioenergy can Europe produce without harming the environment?". European Environment Agency. 2006 o European Commission, Directorate-General for Agriculture and Rural Development. "The impact of a minimum 10 % obligation for biofuel use in the EU-27 in 2020 on agricultural markets" 2007 ).

Biofuels, moreover, have an additional positive effect in contributing to the growth of local economies and the redistribution of wealth, generating higher income that enables farmers to increase profits.

Finally, the Renewable Energy Promotion Directive (EC/28/2009) has established criteria for protecting the carbon reserve associated with land use for producing raw materials intended for biofuel production. These criteria must be verified (through external auditing) so that producers may opt for state renewable energy targets, in addition to compelling Member States to periodically report on the potential effect on food prices (among other aspects), which will thereby help to secure a suitable balance in these areas.

The arguments outlined above enable us to reasonably consider that the potential indirect impact on GHG emissions associated with the production of biofuels is of little significance, as is the potential negative impact on food prices and availability.

In the absence of a rigorous methodology for quantifying these indirect impacts, Abengoa participates proactively at the center of a specific working group constituted through eBIO (European Bioethanol Fuel Association), the main lines of analysis of which are focused on contributing duly supported critical arguments and visions to the international debate regarding two important aspects which the ILUC calculation methodology must reflect:

- a) Availability of disused land both within and beyond Europe, which would enable cereal and sugar beet cultivation without incurring carbon losses due to indirect effects.
- b) The role of by-products of European bioethanol production (mainly DDGS-Dried Distillers Grains with Solubles) in the movement of soy imports intended for livestock protein feed, with the positive impact generated in terms of preventing deforestation.

In addition, Abengoa is following the development of the international committee project at the heart of the ISO, referenced ISO/PC 248, "Sustainability Criteria for Bioenergy," where discussions on ILUC hold a prominent place.

## Biodiversity

6. Does Abengoa have a specific biodiversity assessment in all the areas that the company plans to operate? Is it included in the general environmental impact assessment (if so, can the results of the assessment(s) be included in the report)?

Abengoa companies integrate into the activities conducted specific biodiversity-related assessment included under international standards and in the laws of each country where the company operates, and this usually takes place in the same manner in environmental impact assessment estimations and procedures.

In addition, Abengoa has developed a system of Environmental Sustainability Indicators (ESI), presently in the process of being implemented, which contains seven indicators related to the biodiversity factor: environmental sensitivity, facilities located in protected areas, formal complaints and claims, confirmed sanctions, environmental management systems, environmental measures, and environmental protection expense.

As a significant example of biodiversity management, we must point out cases at Abengoa Brazil, given the particular environmental characteristic in the places where the company conducts its business.

These involve the environmental impact of power transmission line construction and operation. The information included corresponds to data reported in the GRI EN-11, EN-12, EN-13 and EN-14 indicators, supported by environmental impact studies stored in the company's own files.

In the case of the Londrina-Araraquara TL, the installation is located 4.9 km from the protected area of the Mata do Godoy State Park, which has an area totaling 675.7 ha.

In the case of the Foz do Iguaçu – Cascabel TL, the installation area covers 4.67 km<sup>2</sup> and has an area of 0.98 km<sup>2</sup> within the Iguaçu National Park, the area of which totals 185,262.2 ha.

The environmental impact studies constitute documentation that is indispensable for project viability and execution of the proposed initiatives involved, thereby consolidating our business practices in specific projects.

## Corporate governance

7. Could Abengoa prepare a statement on Corporate Governance from the perspective of the majority owners, what powers are exercised, how succession is planned, what is their vision for the board, including the role of independent and international directors?

Abengoa SA is a Spanish public limited corporation that has been officially listed on the Madrid and Barcelona Stock Exchanges, as well as the Spanish Stock Market Interconnection System (SIBE, Continuous Market) since 1996, with 56.04% of its shares being held by Inversión Corporativa I.C., S.A.

Given that it is not feasible for us to respond to the questions posed from the perspective of the majority owner, we shall instead attempt to address these matters from the Abengoa standpoint.

First, Abengoa has no knowledge of the existence of parasocial agreements or concerted actions among its stakeholders or legal restrictions to voting rights; nor of relationships among significant shareholders, or relationships among significant shareholders and the company that differ from those deriving from ordinary commercial transfer or trade, being practically irrelevant.

Second, the Board of Directors is presently composed of fifteen members, six of which are independent, thereby representing 40%. Independent board members are professionals of renowned prestige who contribute their knowledge and independence to company management. In turn, dominical members of the Audit Committee and the Appointments and Remuneration Committee make up less than 25% of the total number of committee members.

The appointment of board members takes place through proposal to the Board by the Committee of Appointments and Remuneration, applying the criteria of independence and professionalism established under the Rules and Regulations of the Board and of the Committee itself. Board members affected by the motion in question abstain from the voting process.

In turn, the coordinating board member has been assigned the duties of coordinating the concerns and motivations of the other board members, including coordination in the event of absence or substitution of the chief executive officer and, to this end, has the power to call a meeting of the Board and to include new items on the agenda.

Third, the controlling shareholder, Inversión Corporativa, has therefore proposed the appointment of seven board members. In all Shareholders' Meetings, the controlling shareholder has voted in favor of the board members proposed by the company's Appointments Committee, in which it does not hold a majority.

Fourth, the chairman of the Board of Directors, executive officer, has the support of the majority shareholder, proposed by the latter in the Shareholders' Meeting, as well as that of the Board of Directors itself, and the Appointments Committee, in the annual performance assessment. In exercising duties as an executive officer, two criteria are followed, one of which is to provide previous information to the Board on ordinary management, and, in the extraordinary case, on issues and decisions adopted at the board meeting; and the other involving subsequent information on the specific terms of a resolution previously approved by the Board when finalized by the executive officer. There is no special reporting to the controlling shareholder. The executive officer, therefore, reports to the Board or its delegated bodies. Transactions linked to the controlling shareholder are treated beforehand in the Audit Committee, market price is contrasted with independent reports, and in no case have there been significant costs or have they extended beyond the ordinary transactions of the company, as reflected in the annual accounts.

Fifth, the company has its own plan, prepared autonomously and without third-party interference, including company shareholders, for the temporary substitution or succession of the executive officer. The duty of coordinating this process falls to the board member in charge of coordinating independent members and to the Appointments Committee, not to the shareholders.

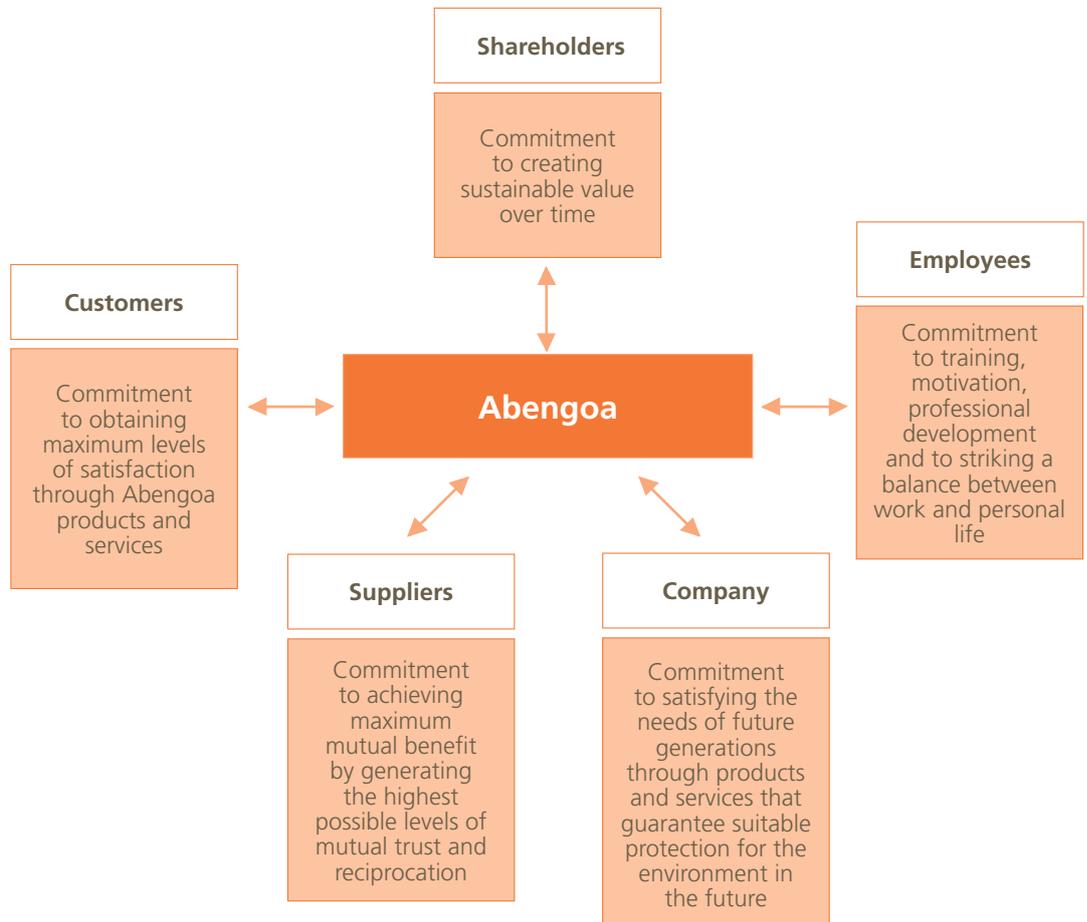
8. How does Abengoa see the relationship between its family based majority ownership and its stakeholder orientation expressed in the CSR report?

Abengoa's Board of Directors, through delegation by the Board of Shareholders, the only body that defines company strategy and values and governs company activities. Within this strategy lies Abengoa's commitment to all of its stakeholders, as well as the company's policy on corporate social responsibility. Therefore, we can assure that alignment of company CSR, based on dialogue, transparency, and rigor, is wholly supported by the company's shareholders, who consider this to add value to the business. In no case have the shareholder or board members appointed by the former disagreed with the policy established by the governing bodies and managed by senior management. The majority shareholder neither proposes nor modifies policies established within the company. The relationship with the majority shareholder, Inversión Corporativa, is solely that which is explained in the previous point.

## Stakeholder management

9. Abengoa mentions society at large as a stakeholder. This category appears to include local communities in which Abengoa operates. Why is this community stakeholder group not identified as a separate category? Does this category cover the differences between society as a whole and the specific local communities where the company operates?

In the 2008 CSRR, Abengoa employed a general structure to describe its stakeholders: shareholders, employees, society, suppliers, and customers.



Therefore, each one of the groups defined may take in other more specific stakeholders. Thus, the stakeholder defined by Abengoa to be society at large includes Society in the broadest sense, as well as the individuals and local communities it encompasses.

The company has embraced a firm commitment to the development and growth of the local communities in which it operates. Abengoa is committed to mutual progress of the company and the community, undertaking and promoting actions that contribute to balanced growth for both and strengthening the ties that bind the company to society.

To this end, Abengoa has put channels and processes for dialogue in place in order to include the expectations of these communities when making decisions, planning strategies or developing initiatives. Abengoa materializes this commitment through clear and transparent communication between the company and the members of these communities, seeking shared growth and promoting actions that contribute to the progress of all of those involved.

10. Has Abengoa considered using direct stakeholders feedback in the form of testimonials as to the company's performance or using case studies in the CSR Report in order to give greater directness to them?

In the 2009 Report on Corporate Social Responsibility, Abengoa will publish the year's most relevant case studies in order to provide detailed information to the company's stakeholders regarding the most significant issues for the company during the period.

In the future, as part of the company's stakeholder dialogue, Abengoa is considering the inclusion in subsequent reports of testimonials from stakeholder representatives in the form of personal interviews, articles, surveys...

11. Are there examples of conflicts with stakeholders and the way Abengoa has resolved them?

In 2008, Abengoa implemented a Greenhouse Gas (GHG) inventory in order to gain in-depth knowledge of the GHG emissions, both direct and indirect, associated with each of the company's activities; to assess the situation; and to identify options for improvement. This inventory also facilitates labeling of Abengoa products and services, identifying the GHG emissions involved in the production of each product or service, and the evaluation of suppliers according to the GHG emissions linked to the production of products and services acquired by the company.

At Abengoa implementation of the GHG inventory necessarily entailed supplier collaboration in order to quantify those emissions involving products and services that are attributable to the company. This collaborative effort initially brought about negative reactions among a significant number of suppliers, especially in certain significant companies, suppliers of major systems and equipment, and those of strategic importance for Abengoa's activities.

Noteworthy among the steps taken by Abengoa to resolve the conflict surrounding the self-assessment of supplier emissions are the following:

- The creation of mixed working groups to develop a system for identifying common families or products in the relationship between Abengoa companies and suppliers. Following initial identification, references were sought to enable applicability of environmental decisions regarding products in order to be able to allocate emissions accordingly in future orders.
- Supplier training sessions held to ensure sufficient knowledge of emission accounting, Abengoa's policy on sustainable development, and of the objectives focusing on integrating emission quantification into Abengoa's business relationships.

As far as supplier collaboration with the inventory is concerned, we should point out two important aspects. First, the obvious change in the tendency of some of these suppliers, who went from the initial consideration of emission quantification as entailing additional job costs and representing an exercise with considerable technical difficulty to the point of full collaboration and an understanding of the opportunities that result from measuring and monitoring GHG emissions.

Secondly, the present scenario with respect to these suppliers consists of signing agreements in which the list of products or product families is integrated for inclusion in the reporting of emissions in each of Abengoa's acquisitions of goods. These agreements apply to purchases by all Abengoa companies and cover all industrial plants originating company supplies of this kind. This global applicability has meant, in practically all cases, establishing a period for consultation and internal explanation involving highly complex suppliers. Agreements of this kind enable stability in the purchases from different suppliers, while maintaining common business interest in corporate policies on halting climate change.

Another example of conflict involving stakeholders stems from the construction of the Solúcar Solar Complex.

Abengoa Solar is dedicated to solar plant design, promotion, construction and operation. Since 2004, the company has been building the Solúcar Solar Complex. This complex, located in the Sevillian town of Sanlúcar la Mayor, is a unique point of reference in the renewable energy sector and in the struggle to halt climate change.

The Solúcar project site is located on the shore of the Guadiamar River, the scene of one of Spain's worst ecological disasters in history: the 1998 collapse of the Aznalcóllar mine tailings dam, which resulted in the release into the river of 6Mt of toxic sludge and acidic water which extended to the marshes of the Doñana National Park.

Regional institutions and the local community are particularly sensitive towards any type of industrial intrusion into the places affected by the spill near the natural park. Threats to the local community entailed by the solar complex are associated with the following:

- Problems occurring in the surrounding area during project development management
- Preconceived mindsets such as "the arrival of industry to the countryside and the invasion of the natural landscape"
- The tremendous visual impact of tower technology plants

Getting the community involved in the project requires drawing up a policy of dialogue and exchange, a policy revolving around the key objective of engaging both institutions and the social environment in general in the Solúcar Project.

To achieve this, a program focusing on close relationships was implemented with different entities, associations, town councils, opinion leaders, political forces, business groups and other pertinent groups with the aim being for them to take belonging of the project in their area. Threats, then, can be turned into opportunities:

- Ongoing contact with stakeholders brings the company closer to the community and solves problems which may arise during project execution.
- The solar complex creates wealth for the community and generates new opportunities for the countryside, benefiting the environment by generating clean energy that does not harm the ecosystem.
- The project has made the town of Sanlúcar la Mayor the focus of attention for major media outlets.

## 12. How does Abengoa measure, assess and record stakeholder interest?

Abengoa maintains an open dialogue with its stakeholders through different channels of communication, while developing new channels at the same time. Dialogue, understood to be a process of two-way communication, is key to achieving the integration of stakeholder expectations into company strategy. Among other channels we may highlight the following by stakeholder group:

**1. Employees:** Abengoa has made different channels of communication available to company employees:

- a suggestion box, which is reviewed by the human resource department,
- work climate surveys, measuring the degree of employee satisfaction and identifying labor issues where corrective or improvement measures are needed.
- corporate intranet, which Abengoa has redesigned in 2010 to make it more accessible and dynamic; here employees may submit administrative queries (payroll, vacation time, etc.), gather information (news published in the media, press releases, bulletins...), post announcements, access corporate applications, etc.

**2. Suppliers and Customers:** For Abengoa it is important to open channels of communication with the company's suppliers and customers, and therefore the company conducts surveys on a regular basis to gain knowledge of the degree of satisfaction of both stakeholder groups.

**3. Employees, investors and society:** through the Procedure on Relevant Issues, Abengoa identifies, by means of analysis and consultation, and prepares a list of issues which, due to their relevance for the business and for its stakeholders, must be included in the 2009 CSR Report.

**4. Society:** For the past two years, experts of renowned international prestige in the environmental, social and economic areas have been carrying out an assessment of the company. This Independent Panel of Experts on Sustainable Development will lend a voice to the perspectives and opinions of Abengoa's stakeholders in order to ensure that the company is reporting information related to those issues which are considered to be relevant by these stakeholders, while providing recommendations on due company performance with respect to these issues.

**5. Employees, suppliers, customers, shareholders, and society:** Abengoa periodically analyzes the best practices in Corporate Social Responsibility performed by the companies in the business industry.

**6. Employees, suppliers, customers, shareholders, and society:**

- the Abengoa website ([www.abengoa.com](http://www.abengoa.com)), available in Spanish and English, constitutes Abengoa's most global communication tool. It offers news on the entire company, real-time stock quotes, and makes available to its stakeholders, among other things, a stakeholder mailbox for handling all sorts of queries, as well as a special application for consulting job openings available at the company.
- corporate blog ([blog.abengoa.es](http://blog.abengoa.es)), available in Spanish and English. Abengoa publishes articles on different sustainability issues, enabling readers to make their opinion known regarding the different themes covered.

## Human Rights

13. The report mentions the Universal Declaration on Human Rights, the CEDAW on women, CRC on children, ILO standards, among other standards for its conduct. How is Human Rights protection reflected in the Code of conduct? How are Human Rights norms implemented, monitored and evaluated in the activities of the company?

Abengoa's 2008 CSR Report reflects the declaration of the company's adoption in its labor practices of the Universal Declaration on Human Rights of the United Nations, as well as international agreements approved by this organization.

Abengoa has likewise adopted the agreements of the International Labour Organization (ILO) on social rights (expressly, the United Nations Convention on the Rights of the Child, the United Nations Convention on the Elimination of all Forms of Discrimination against Women, in addition to specific agreements associated with child labor, forced labor, occupational health and safety, freedom of association, discrimination, disciplinary practices, working hours, and compensation).

Abengoa also adheres to the ILO Tripartite Declaration of Principles Concerning Multinational Companies and the ILO Social Policy, in addition to the OECD Guidelines for Multinational Companies.

The Abengoa Code of Conduct expressly reflects in its general philosophy all of these principles and commitments, and has declared them to be a Standard of Internal Conduct, of global compliance for all Abengoa employees.

The Code of Conduct requires immediate internal communication of cases of non-compliance with this code, as well as proper reporting of any and all incidents of illegal conduct, instrumented through the Whistleblower Channel Policy established under the code. However, in relation to situations susceptible to being qualified as constituting harassment at work, the procedure is to apply the specific protocol established for this case.

As far as the management system is concerned, the system is based on the international SA 8000 standard, reflecting the principles described in terms of human and labor rights.

At Abengoa the management of issues is conducted through Follow-up Committees according to cross-process systems (NOC, POC Authorizations) which enable us to oversee the company's range of commitments.

The internal audits are intended to verify fulfillment of social responsibility and management system requirements. The results are recorded in the Audit Report, and corrective measures are initiated where needed, as well as the necessary corrective steps to eliminate the cause.

#### 14. Could you explain the actions that are undertaken to achieve gender balance?

Abengoa has launched, within the aforementioned SA 8000 scheme, an Equality Framework Plan which seeks, on the one hand, to ensure equal treatment and opportunities between men and women at Abengoa, and, on the other, to prevent any potential situations that may imply or constitute labor discrimination, whether direct or indirect, based on gender. This initiative also involves, among others, fomenting appropriate culture and sensitivity, fostering personal-professional life balance and forestalling potential discriminatory situations.

The following stand out among specific company actions in this regard: the elimination of references to sex or gender in any and all Human Resource processes; encouraging awareness in the use of images and language (for example, in internal and external advertising, in job announcements, etc.); statistical follow-up broken down into positions and duties, as well as business areas and geographical locations; and the creation of specific committees and departments for promoting balanced representation of groups with lesser representation, among others.

Evolution in terms of female staff representation has been positive in recent years. At present the figure is 28% of the total employee headcount, and 20% in representation on the Board of Directors.

## Foundation

15. There appears to be a diverse range of activities, from art patronage to climate change research. How are the activities of the Foundation, in toto, related to CSR objectives of the company? As other foundations have evolved with greater mainstreaming of CSR into corporate practice, has Abengoa considered reshaping the foundation to separate the family's private philanthropy from its corporate activities?

We believe that the humanistic (philanthropic) and technological (climate change) binomials can coexist in harmony with company strategy. This decision is manifested in the name of the Foundation itself ("Focus-Abengoa"): linking its foundation origin as the Seville Cultural Fund to the activity of the company boasting its presidency. In fact, it is an essential part of company culture and immaterial wealth, creating value for the company and its stakeholders with a significant return in tangible and intangible assets. Ever

present in Foundation activity are research, diffusion, employee training, development of social policies, etc., all related to Abengoa interests in the communities where we operate, as expressly reflected in the Foundation Bylaws.

“The Foundation seeks, with aims of general interest, to:

- 1.** Promote culture in its many artistic and scientific manifestations, primarily addressing conservation, dissemination and development of the historical and cultural heritage of Seville, its province, and Latin American projection thereof.
- 2.** Fund cultural activities, by granting financial support, academic scholarships, travel expenses, subsidies or other allowances in favor of persons, physical or legal, who lack sufficient economic means to gain the benefits or results sought by themselves; establishing collaboration agreements with other cultural or teaching institutions, in awarding prizes to people whose merits stand out in the realization of the objectives which the Foundation promotes. In pursuing its activities the Foundation will devote special and preferential attention to staff members of Abengoa, S.A. and the group's companies, as well as their families.
- 3.** Pursue any other activities or allowances related to those described above, either preparatory or complementary among themselves, such as activities in social cooperation that entail projects of social integration and reintegration, activities involving cooperation with the defense of environmental heritage and any others aimed at technological and social development that are related to all of the above.
- 4.** Promote professional training, labor integration and creation of employment in favor of people with disabilities and other groups with special needs, enabling the creation of jobs for these individuals, and, finally, their incorporation into the labor market, effective throughout the national territory; activities that may be conducted directly or indirectly through businesses, institutions, or other assistance-based foundations, by means of the corresponding agreements of collaboration and ensuring at all times fulfillment of these aims and the use of allocated funds”.

The Focus-Abengoa Foundation is presided over by Abengoa S.A. through representation of the company's president and executive vice president. Patrons are representatives of renowned international prestige in the realms of culture, science, economy, law, etc.

16. Under the Community section in the report, there appears to be little, if any, company support outside of the Foundation's work. What direct project related benefits are being provided (e.g. jobs, infrastructure, etc) that might provide a broader and more balanced perspective of the company's contribution?

Each Abengoa business unit directly manages Corporate Social Responsibility initiatives through its local companies in a range of geographical locations.

In order to better address the specific needs of each one of these communities, it is the Abengoa companies, not the Foundation, which manage the social action efforts carried out in each specific area of the communities where Abengoa operates. The Foundation is the umbrella that serves to group, monitor and communicate these initiatives.

The proximity of each one of the companies to the specific problems of the groups that make up these communities enables not only execution of more efficient actions, but represents the most valuable tool for conducting follow-up on the impacts of each initiative implemented.

#### 17. CSR covers activities on a worldwide basis, have you thought of reforming the activities of the Foundation in line with this internationalization?

Focus-Abengoa knows how to calibrate and make the most of the business dimension, which is determined by its *raison d'être*, and applies it in an efficient and balanced manner in designing social, cultural, educational, research and technological programs.

For many years now, the Focus-Abengoa Foundation has not only maintained the historic activities of its management map, characterized by national roots, but has also enriched the original horizon through projects tailored to Abengoa and the different communities where they are implemented. Thus, among other initiatives, in recent years a variety of assistance-based programs have been implemented in Peru, Argentina, Mexico, Chile... geared towards the most underprivileged groups in the communities where Abengoa conducts its business.

The international nature of the Foundation has evolved in concert with the company. Today Focus-Abengoa not only participates, through the Abengoa business units, in social projects on five continents, but is also highly active in the cultural and scientific areas. Among other initiatives, the company organizes artistic and research competitions, awards prizes to employees, sets up scholarships for university students and the children of company employees, and organizes scientific seminars on painting, archeology and energy. All of these undertakings are realized worldwide, conducted by the Foundation in line with its basic objectives and the Abengoa mission.

## Corruption

#### 18. Does Abengoa prohibit facilitation payments?

Yes,

the Company Code of Conduct, which establishes the most appropriate way for Abengoa employees, managers and board members to act in business relationships, prohibits the utilization or acceptance of payments and gratuities, except in these few specific cases:

- where they are not against the law or policy of the other party;
- where they are consistent with customary business practices in the country or industry;

- where they are reasonably related to business relationships;
- where they are consistent with existing business guidelines;
- where they cannot be construed as a bribe, payoff, or improper influence; and
- where they do not violate Abengoa's business values or ethics in any other manner.

According to the terms of the code, infringement of these terms "may result in disciplinary measures, including the dissolution of the labor relationship, depending on the nature and severity of the infraction. Furthermore, any supervisor, director, manager or board member who instigates, approves or overlooks cases of infraction, or who has knowledge of these incidents and does not report or rectify them immediately, will be subject to disciplinary measures, including the dissolution of the labor relationship."

## Safety & Security

### 19. What actions is Abengoa taking to achieve improvement in security and safety particularly in relation to eliminating fatalities?

Abengoa is deeply committed to training and ongoing awareness of occupational safety, dedicating more than 240,000 hours to specific training. Moreover, the company carries out comprehensive monitoring of incidents and accident rates, reinforcing controls on operational decision-making from the perspective of Occupational Risk Prevention through on-line work-flow mechanisms, and studies incidents and accidents, providing feedback to the system. At Abengoa we have an obligation to implement and certify an Occupational Risk Prevention system in accordance with the OSHAS 18001 Standard for each company.

In addition, training initiatives involving awareness were carried out with intermediate managers, as well as the customary directors' session, which in 2009 was dedicated to analyzing various accidents occurring within the company in different activities and geographies with the purpose of evaluating them, determining consequences, and extracting conclusions.

## CSR strategy

### 20. What are the key changes of the new CSR strategy that is mentioned in the Report? How are they expected to affect Abengoa strategy and operations?

At Abengoa we believe that in order to boost CSR, it is essential to have a strategic plan that is aligned with the company mission, favoring the relationship with all company stakeholders. Therefore, last year Abengoa devised a Corporate Social Responsibility plan containing guidelines for integrating the company's stakeholders' expectations, and which enable specific actions to be developed for meeting these expectations, while helping to bring the company closer to society.

The plan drawn up particularly emphasizes the following:

- Attracting, developing and retaining talent
- Labor practices
- Integrity and compliance
- Corporate governance
- Stakeholder dialogue
- Health and safety
- Climate change
- Risk and crisis management
- Supplier relations
- Customer relations
- Social commitment and local impact
- Environmental policy and management
- Environmental performance
- Biodiversity management
- New business challenges
- SRI relations

This strategic plan involves all areas of the company and therefore integrates its five business units, adapting CSR strategy to the reality of the different companies, as well as helping to detect and assess more effectively the needs of the different stakeholders in each of the countries and regions where the company operates, thereby lending greater efficiency to the initiatives implemented.

In conjunction with this plan, in 2008 Abengoa reinforced its reporting system, implementing improvements over the course of 2009, which will allow the company to obtain consolidated data in a reliable manner for appropriate management thereof, and for inclusion, where appropriate, in the CSR report.

In 2010 Abengoa will develop, moreover, a computer tool to automate all procedures related to the reporting system, thereby enabling round-the-clock access to information and real-time data capture. This application will facilitate the compilation of data associated with both the CSR indicators and the ESIs (Environmental Sustainability Indicators), facilitating the use of information in order to achieve improved management and communication.

All of the above, together with a rigorous process of external verification of the information conducted by an independent third party, will enable Abengoa to report to its stakeholders on company strategy, objectives and performance in a way that is rigorous, reliable and transparent.