

04

**Strategy for a  
sustainable future**



We are committed to a sustainable future for everyone

Against the backdrop of the prevailing economic crisis and with the effects of climate change already more than evident, the time has come **to rethink the traditional business model** to give way to **sustainable and responsible business models**, in which innovation and the pursuit of long-term rewards take center stage.

Companies should commit themselves to a business model that integrates sustainable management into their strategy and to the long term.



Winning entry at the IV edition of the sustainable development photography competition, taken by: María José López Gómez.

**Abengoa has made sustainability the heart of its strategy.** Its businesses all have sustainable development in their sights while management at Abengoa is geared towards reducing the negative environmental impact of its activities, lowering risks, unearthing opportunities associated with this new change of business model and generating relationships of trust with stakeholders.

## Strategy aimed at responsible performance

**Abengoa's strategy**, which **seeks to position the company as an international benchmark in the development of groundbreaking technological solutions for sustainability**, is rooted in systems and tools that measure its performance while also allowing us to improve the company's decision-making processes and responsible management.

In its responsible management model, Abengoa **prioritizes** the need to **integrate stakeholder expectations into its strategy**. Employees, customers, suppliers, shareholders, the communities in which the company operates and the society are the cornerstone of CSR, and dialog with these stakeholders is key to generating relationships based on trust.

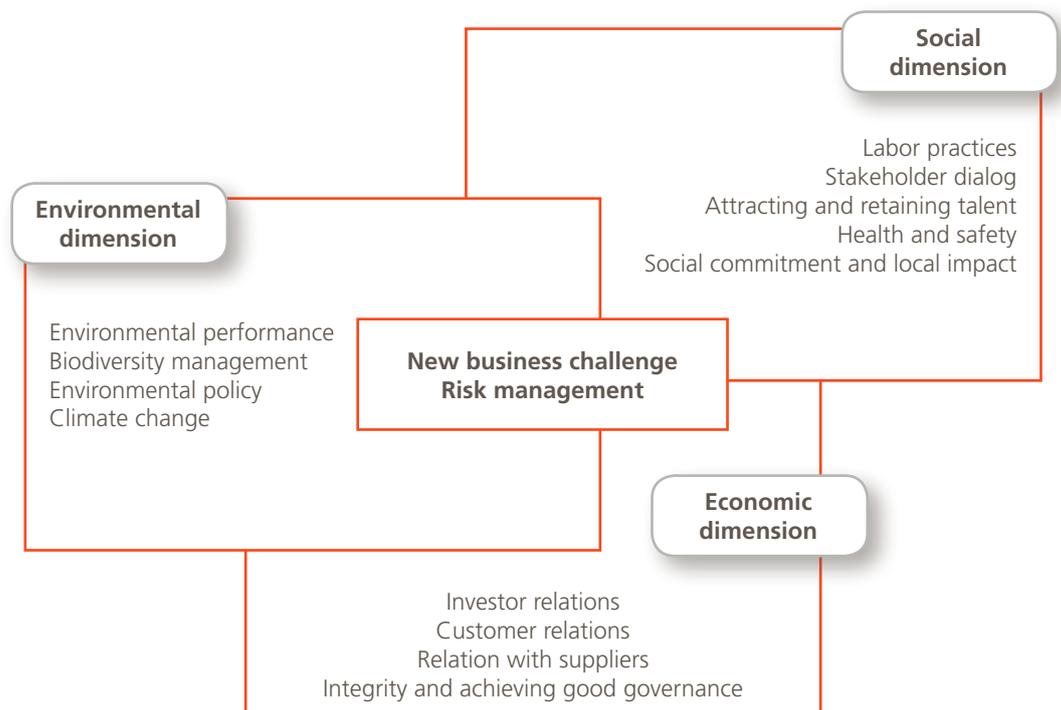
We aspire to become an international benchmark in sustainability

Photograph awarded the runner-up prize at the IV edition of the sustainable development photography competition, taken by Paola Alpresa Gutiérrez.



## Master Plan: sustainability within the company's strategy

In 2008, Abengoa devised a CSR Master Plan, establishing the strategic lines for the entire company to follow in aspects relating to CSR in all its dimensions: economic, social and environmental.



The **Master Plan** has been gradually **entrenched** throughout the **different levels of the company** and in the **different regions** in which **Abengoa operates**. Regular committees with the CRS and business-unit managers have been set up to track and monitor the plan.

A Committee of skilled will also be set up in 2013, comprising the heads of the most important CSR divisions. This Committee will analyse and update the strategic lines of the current plan to bring them in line with the prevailing business, environmental and social situation. Also it will address and respond to stakeholder expectations. In going about this task, the committee will rely on the recommendations of the Independent Panel of Experts in Sustainable Development (IPESD) and all the materiality analyses conducted over the last two years<sup>1</sup>.

The various subject areas of the Master Plan are structured and managed through McKinsey's three growth horizons, enabling the company to handle three scenarios simultaneously based on the extent to which each of the areas has been developed and integrated into the company.

We have our own tools for managing sustainability

## Integrated Sustainability Management System

In order to **manage responsible performance**, Abengoa has set up an Integrated Sustainability Management System (ISMS) to gather information relating to the social, environmental and economic impacts of its activity.

The ISMS comprises three component systems: the system CSR Management System, the Greenhouse Gas Inventory and the Environmental Management System.

Integrated Sustainability Management System (ISMS)	
System of CSR Management System	Contains <b>key indicators</b> enabling the company to <b>manage its performance</b> in the <b>three dimensions of CSR</b> : social, environmental and economic. It essentially <b>comprises</b> the <b>indicators</b> provided in the <b>v.3.1 GRI Guidelines</b> , those set out in the <b>Master Plan</b> , those compiled from the <b>Relevant Matters Process</b> and those that make up the <b>Responsible Management Balance Sheet</b> .
Greenhouse Gas Management System <sup>2</sup>	Manages the <b>reporting of GHG emissions</b> associated with Abengoa <b>products</b> and <b>services</b> , including those of suppliers.
Environmental Management System <sup>3</sup>	Manages the <b>environmental impact</b> of Abengoa's activities by defining indicators to measure aspects such as <b>emissions of noise and smell, dumping and discharges</b> , the <b>impact of transportation</b> , the <b>effect on biodiversity, soil and aquifers, water</b> and <b>energy consumption</b> , etc.

The ISMS pursues the following main objectives:

- Obtaining **reliable consolidated data** by capturing and verifying the information gathered by the three systems.
- Improving **decision-making** and rendering the company's management more efficient by providing exhaustive data obtained in real time.
- Tracking changes in the indicators and designing improvement plans to **lower the negative impacts** of company business on society, the environment and the economy
- Reporting **and disclosing information** reliably and transparently to the company's stakeholders.

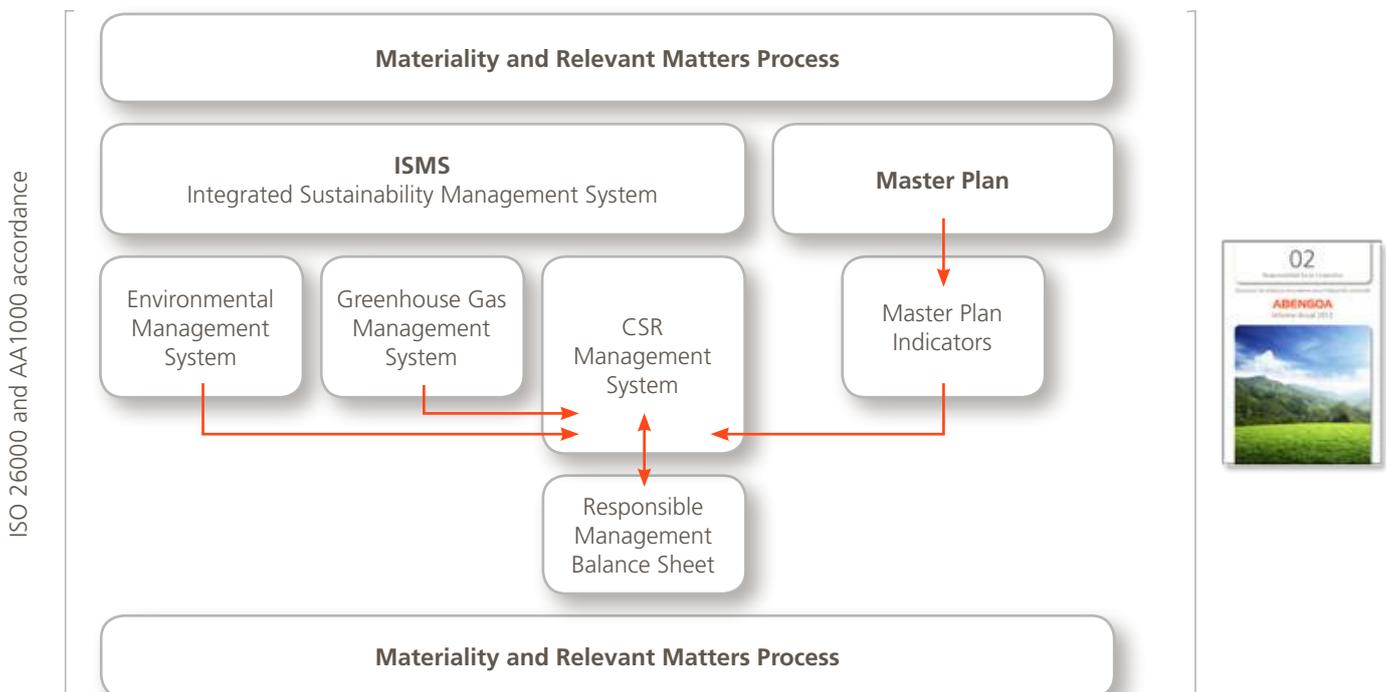
Note 1: For further information on the GHG Management System, please see the chapter on the Environment.

Note 2: For further information on the Environmental Management System, please see the chapter on the Environment.

Note 3: For further information please see the chapter titled "About this report".

In relation to the latter objective, the ISMS has **internal and external audit and control** mechanisms in place. External auditing is conducted by two independent entities. On the one hand, AENOR, in accordance with the ISO 14064-1:2006 Standard, reviews the information on Greenhouse Gases from activities involving direct and indirect energy consumption and other direct Abengoa emissions. KPMG, on the other hand, reviews the qualitative and quantitative information with which the ISMS addresses the main and supplementary GRI indicators included in the CSRR. Both of these independent review processes are performed with a reasonable level of assurance<sup>4</sup>.

In 2012, Abengoa continued to make improvements to the ISMS and continued to integrate it with the company's other systems to ensure reliable data. The system currently has over **3,000 users** across **all the territories** in which **Abengoa operates**.



Our strategy is aligned with the ten principles of the UN Global Compact

## United Nations Global Compact

In addition to the tools described above, Abengoa adheres to global initiatives such as the UN Global Compact, whereby signatory companies undertake to manage their operations in accordance with **ten principles** based on universal declarations and conventions in **four key areas: human rights, the environment, labor standards and anti-corruption**.

Abengoa has been a signatory to the Global Compact since 2002, and since 2005 has been publishing an annual progress report on the Global Compact website, informing its stakeholders of the performance, challenges and objectives the company sets itself each year in relation to its principles.

### Human rights

**Principle 1.** Businesses should support and respect the protection of internationally proclaimed human rights within their area of influence.

Labor practices at Abengoa and the professional conduct of all employees are governed by the protocols and rules enshrined in the Universal Declaration of Human Rights (UDHR) of the United Nations, in other international agreements approved by the UN and, with regards to labor rights, by the International Labour Organization (ILO).

Note 4: For further information please see the chapter titled "About this report".

**Principle 2.** Companies must make sure that they are not complicit in human rights abuses.

The Common Management Systems governing the company and applicable throughout the entire organization establish guidelines and policies relating to the protection of human rights. These rules and principles also extend to all Abengoa suppliers, who must sign the company's Social Responsibility Code (SRC) for suppliers and subcontractors. This code contains eleven clauses rooted in the principles of the UN Global Compact and inspired by the international SA8000 standard.

### Labor standards

**Principle 3.** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Abengoa supports the freedom of association of its workers, which it considers an inalienable right, within a climate of permanent and open dialog.

**Principle 4.** Businesses should support the elimination of all forms of forced and compulsory labor.

The Social Responsibility Code for suppliers contains a clause that expressly prohibits forced labor and the forced recruitment of employees.

**Principle 5.** Businesses must support the effective abolition of child labor.

Abengoa vehemently denounces all forms of child labor, in accordance with the terms of ILO Convention 138 on the minimum working age. Likewise, the Social Responsibility Code for suppliers expressly prohibits the use of child labor and requires suppliers to honor the provisions of the ILO.

**Principle 6.** Businesses should support the elimination of discrimination in respect of employment and occupation.

Abengoa has its own Framework Equality Plan, which extends throughout the company and aims to guarantee equal treatment and opportunities between men and women, while helping to prevent any situation that could constitute direct or indirect labor discrimination based on gender. The company also has a workplace harassment whistle-blowing protocol in place to address any situation that could be considered discriminatory within the company.

### Environment

**Principle 7.** Businesses should support a precautionary approach to environmental challenges.

Abengoa has a clearly defined sustainability policy embedded in the company's strategy and reflected in a host of different tools: a risk management system, which includes environmental aspects; the GHG Inventory, which allows the company to design specific plans to lower emissions; and an Environmental Management System, which allows the company to measure its environmental impact through eleven environmental factors. All this enables Abengoa to gauge its performance and establish targets on the path to improvement.

**Principle 8.** Businesses should undertake initiatives to promote greater environmental responsibility.

Abengoa guarantees the sustainability of all its products and processes and demands all suppliers to report the emissions associated with the products and services acquired from them, effectively meaning suppliers are required to report the emissions associated with each order Abengoa places. The company is therefore infusing its policy and culture of fighting climate change throughout the entire supplier chain.

**Principle 9.** Businesses should encourage the development and diffusion of environmentally friendly technologies.

Abengoa is a company that applies technologically innovative solutions geared towards sustainable development. The task of championing and rolling out these technologies requires us to use sources with a low environmental impact that help boost energy efficiency. In 2012, Abengoa invested a total of 91.3 M€ in innovation.

### Anti-corruption

**Principle 10.** Businesses should work against corruption in all its forms, including extortion and bribery.

Abengoa combats corruption through its Code of Professional Conduct, which governs actions and labor relations within the company and with stakeholders.



## Future challenges

In its pursuit of excellence, Abengoa continuously **works to improve** its **activities** and **processes**. Relying on different tools and channels to liaise with stakeholders, Abengoa is able to detect those areas in need of improvement, thus allowing the company to set itself future objectives and challenges.

### Social dimension

- **Increase** Abengoa's **activity** on **social networks** on the path to **strengthening dialog with stakeholders**.
- **Making employees part** of the **company's culture** by improving internal communication.
- Seeking out **new forms** of **dialog** with **local communities**.
- **Encouraging** more Abengoa **employees** to take part in the activities of the Focus-Abengoa Foundation.
- **Extending** the People, Education and Communities (**PE&C**) scheme to **new territories**.
- **Stepping up employee involvement** in Abengoa's **volunteering program** in **Spain** and unveiling it in other countries.
- **Improving SROI (Social Return of Investment) analysis** of Abengoa's social development projects social by **creating a computer application** that will enable the company to **automate the process of compiling data**.
- Developing a standardized, **company-wide expatriate management model** to ensure employees' **personal adaptation and family integration** in their place of relocation.
- Applying **new technologies** in the realm of **social networking** and **collaborative learning** aimed at managing and sharing information within the company on a variety of subject matters, including occupational risk prevention.
- **Improving the global reporting of indicators** measuring **health** and **safety** and the company's **subcontractors**.

## Economic dimension

- **Cementing Abengoa Research's** status as an **international benchmark technology firm** in **R&D+i** focusing on the energy and environment sectors.
- Attaining **greater visibility and exposure for the patents office** of Abengoa Research.
- Improving ties with **analysts** and **investors** from new regions and **stepping up dialog** with those based in the United States ahead of Abengoa's imminent listing on the Nasdaq index.
- **Continuing to explore** new forms of **energy storage** so that electricity can be generated and then supplied during overcast periods and at night to help meet the demand for electrical power.
- **Pursuing new diversification** and **growth opportunities** based on technological development at Abengoa, and championing new businesses such as W2B (Waste to Biofuels) to generate bioethanol from municipal waste.
- **Expanding** the work of the **new antifraud taskforce** and implementing procedures for tracking alerts based on the company's various systems.
- **Reinforcing the business risk management and internal control system** by bringing it up to date with the company's need to expand and internationalize further.
- **Shaping** and **adapting** the **corporate governance model** to incorporate the **best practices** applied by listed companies that operate under the surveillance of the North American **SEC**.

## Environmental dimension

- Continuing to **incorporate** the **Integrated Sustainability Management System (ISMS)** into **decision-making processes** and **strategic management**.
- **Broadening the number of products** and **services** currently **labeled** with the **quantity of emissions generated** as a by-product of producing them.
- **Improving the management** of the **Environmental Management System indicators** associated with the emission of odor, noise and soil and aquifer contamination.
- Developing an **initiative to calculate Abengoa's overall footprint** so as to **measure and report the resources consumed** and the **impacts deriving from its business activities**. This will be accomplished by increasing its commitment to the millennium objectives and to the sustainable development of local communities.
- **Creating** a free-access **online portal** so that **suppliers can directly report the emissions associated** with the company's procurement processes.