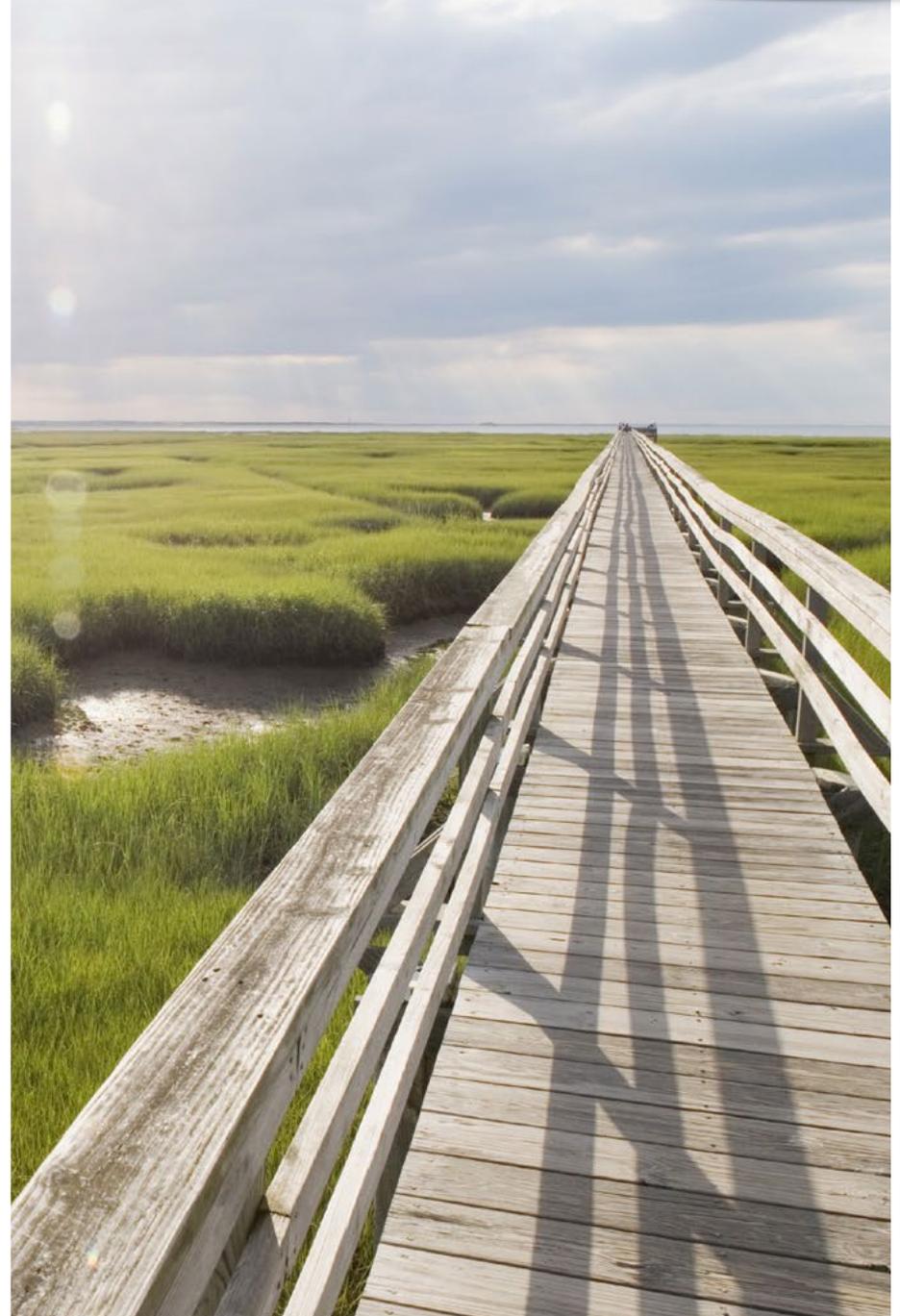




05
Corporate
strategy





We pursue new challenges to drive growth and help forge our vision of being a global point of reference in the development of innovative technology-based solutions for sustainability

The strategic vision of our company

Abengoa's strategy is based on ongoing identification of sustainability challenges and opportunities associated with new businesses and presence in new territories, at all times employing **R&D and innovation** as a differentiating element.

The use of new technologies requires a certain degree of maturity in order to achieve optimal returns and for these technologies to be considered as a reliable alternative to traditional technologies in terms of competitiveness. Thus, from a solely economic standpoint, without taking into account externalities, it is now a fact that energies such as solar thermal power are beginning to be compete effectively with conventional energy sources in specific regions of the world (those featuring high levels of solar radiation, high gas prices, etc). There are nevertheless externalities, such as those linked to the carbon economy or to the cost of emissions, that are **beginning to be included in economic assessments of investments** and which will ramp up the competitiveness of these alternative energy sources.

Underlying Abengoa's strategic vision is the company's aim of striking a balance between long-term and short-term project management. Therefore, the company seeks to optimize processes and lower costs in its businesses with a higher degree of maturity (H1), while backing strategic projects that require substantial initial investment, yet are self-sufficient in their development (H2), and continuing to evaluate and analyze new business areas and technologies (H3). All of this ensures a sustainable business model with its sights ever set on the long term.

H1 Cash generation

- › Conventional power plants.
- › Electricity transmission systems.
- › Solar thermal power plants with mature technologies. (power tower and parabolic trough).
- › Photovoltaic plants.
- › Bioenergy (1G and 2G).
- › Water desalination and reuse.
- › Other renewable energies: wind and waste to energy.

H2 Growth

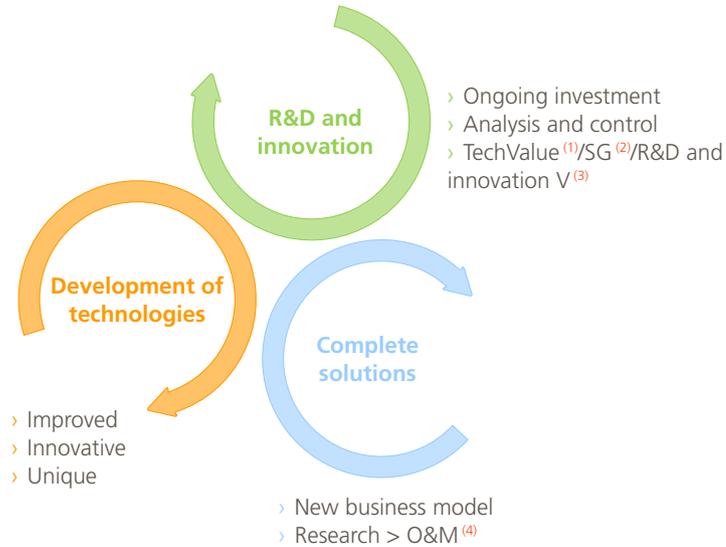
- › Engineering and construction of new products and in new regions.
- › Electricity transmission systems in new regions.
- › Rail transport infrastructures.
- › First-of-a-kind solar thermal power plants (power tower and parabolic trough).
- › High concentration photovoltaic plants (HCPV).
- › Energy storage for electricity systems (molten salts and batteries).
- › Waste to biofuels.
- › Bioethanol processing system for submarines.
- › Pellets plant.
- › Water reuse and treatment for industry.

H3 Future options

- › Engineering and construction in new sectors.
- › Hydrogen: other applications.
- › Marine energy.
- › Solar thermal electric power plants featuring new technologies and in new regions.
- › New photovoltaic technologies.
- › Biorefining (new bioproducts).
- › Energy crops (biomass and energy crops).
- › New membrane technologies.

Abengoa develops complete solutions that require integrated, robust R&D and innovation able to provide the company with proprietary technology development.

Technology is a key factor for Abengoa and constitutes the company's hallmark.



- (1) TechValue or "technology valuation" is an instrument for measuring the evolution of technologies
- (2) Stage-Gate is a methodology applied to R&D and innovation project assessment (further information found in the glossary chapter)
- (3) R&D and innovation Value or "R&D and innovation valuation"
- (4) O&M: Operation and Maintenance.

Abengoa has opportunity management tools in place which enable the company to determine the moment in which new technologies will become fully profitable by themselves. Noteworthy among such instruments is the Stage-Gate methodology model.



Stage-Gate methodology is a robust standardized and sequential procedure for determining the degree of development of a given project and the amount of investment required to take it to the next level. Each process (**stage**) has a corresponding set of requirements and objectives to be accomplished in determining project success or transition to the next stage.

Strategic challenges

Abengoa is a firm believer in the need to achieve a system for generating clean, CO₂ free energy, and the company pushes towards this goal through its technology and position of leadership in innovation.

In an energy scenario characterized by rising consumption and a pressing need for emissions abatement, Abengoa is among the global leaders in renewable power generation, turning challenges into opportunities by developing new technologies to address the major problems posed by today's environmental and natural resource crisis.

Managing water resources is another strategic area for Abengoa. Here the company is committed to developing efficient technologies for water desalination, treatment and reuse.

Linked to the strategic opportunities that have been identified, the innovation projects currently being executed by Abengoa are enabling the company to make progress in enhancing a series of technologies:

- › **Fully manageable solar thermal plants that are also wholly competitive with respect to conventional power generation.** Abengoa's leading facility in terms of energy storage capacity is the Atacama-1 plant in Chile, which can store power for 17 hours, enabling it to operate around the clock.
- › **Plants dedicated to treatment and use of municipal solid waste (MSW) for biofuel production.** A demo plant featuring waste to biofuel (W2B)¹ technology has been in operation in Salamanca (Spain) since 2013. The facility is able to process 25,000 t of MSW to generate up to 1.5 ML of bioethanol.
- › **Global water management through treatment and reuse.** The company currently has two plants in construction and five plants in operation, one of which has already been sold.
- › **Hydrogen technologies.** Abengoa operates a hydrogen service station in Seville.
- › **Production, transportation and distribution of high-efficiency biomass in pellet or chip format**². Abengoa has a number of highly advanced industrial ventures set up in South Carolina, Australia and Uruguay, enabling the company to provide forestry and biomass services.

As far as business development by region is concerned, the solar thermal business is expected to improve notably in the next few years in Latin America, Africa and the Middle East. In relation to the water reuse business, higher energy demand is expected to drive growth in the U.S. and in the Middle East. With respect to the biofuel business, efforts will be focused on the U.S. and Brazil in the coming years. Finally, an upturn in construction business activity is anticipated to take place in the U.S., Latin America, Africa and the Middle East.

Miguel Herrador, accesit in the 6th Edition of the Sustainability Photography Contest (1). *Luz de mediodía en el desierto.*



(1) Photography contest for employees organized annually by Abengoa. The jury awarded the first prize and up to three runners.

Note 1 Waste to Biofuels (W2B): technology developed by Abengoa to obtain second-generation biofuels from MSW through a fermentation and enzymatic hydrolysis treatment process.

Note 2 Pellets: ground forestry biomass that has been dried and compacted to obtain cylinders with a diameter of just a few millimeters and with the lignin contained therein acting as a natural bonding substance for use as biofuels. Wood chips: small pieces of wood obtained by cutting or chipping forest biomass.

Strategic Corporate Social Responsibility Plan for 2020

In 2014, Abengoa completed the design of its new Strategic Corporate Social Responsibility Plan (SCSRP) ³ on the 2020 horizon. Replacing the previous program in force since 2008, the new plan finds leverage in responsible business management for a performance framework that is going **to empower the company in moving towards fulfillment of its strategic business vision.**

Francisco Javier Rodríguez, winner of the 6th Edition of the Sustainability Photography Contest ⁽¹⁾. *Mirando Hacia el Cielo.*



Abengoa updated and refreshed its commitments in the preceding SCSRPlan in order to align them with the new challenges facing the business, thus helping **to generate new opportunities.**

SCSRP 2020 has been devised as a support tool for effective management of the potential impacts of business activity on society and the environment while addressing the particular features of the regions in which the company operates. The plan is also intended to fortify the position Abengoa has gained in recent years in the realm of CSR to become a leader in the implementation of good practices for responsible business management.

Along these lines, Abengoa boasts two major competitive advantages:

- › The **commitment of the company's highest governance bodies**, which acts as a decisive driver of progress in these areas.
- › The degree of **maturity of the tools** implemented for regular monitoring of indicators and objectives established in all regions of company operation.

The three strategic cornerstones of SCSRPlan 2020

The new SCSRPlan design is based on analysis and validation of macro trends: issues which are anticipated to be considered top priorities in the medium and long term on the agendas of multinational corporations. This analysis has enabled Abengoa to draw up strategic lines which, coupled with the issues flagged during the materiality analysis conducted in the previous year and the key priorities in the countries where the company has a more significant presence, constitute the basis for the new plan.

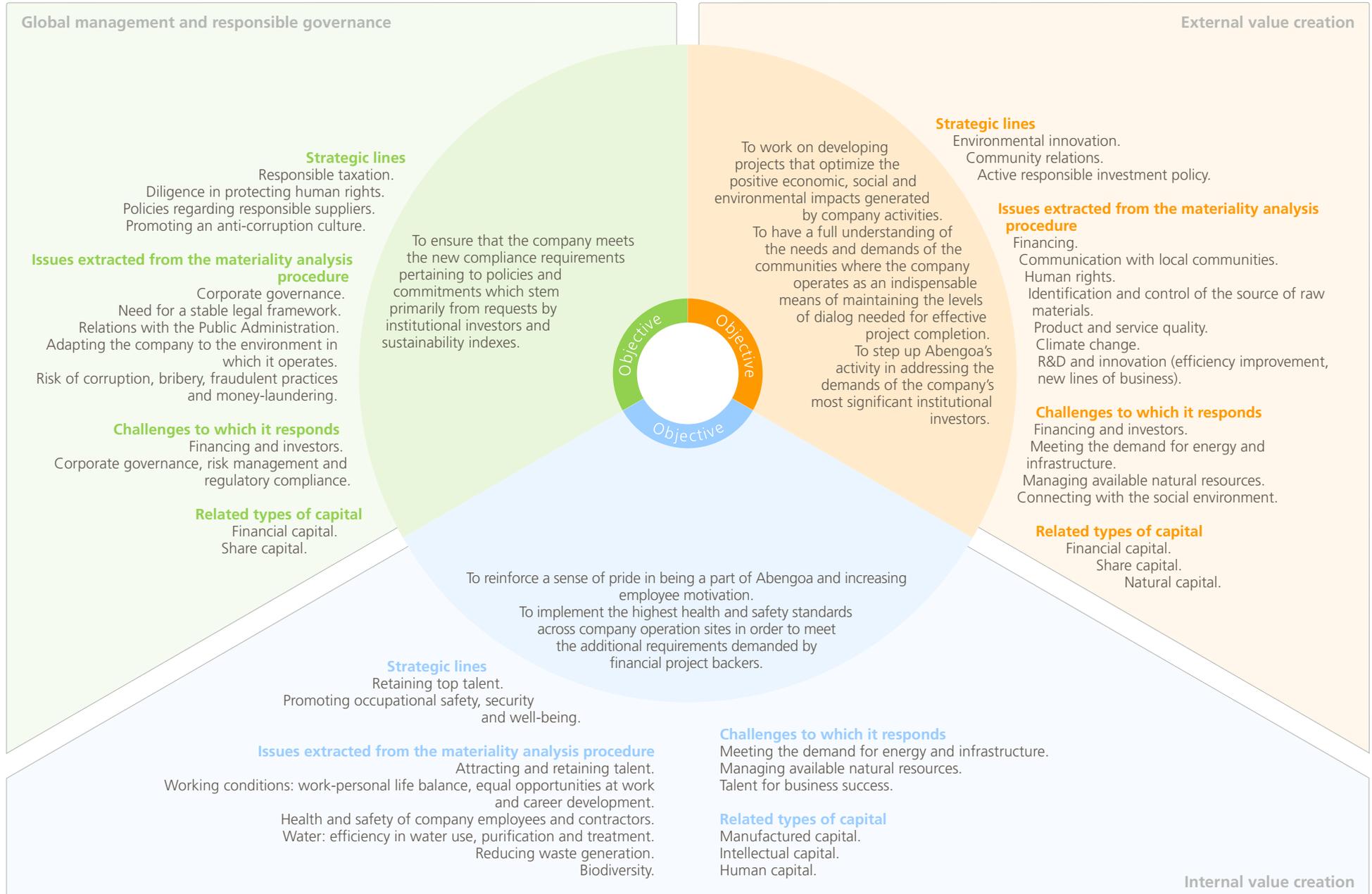
Additionally, to bring the 2020 SCSRPlan to completion, interviews have been held with members of senior management, directors and technicians (23 in-person interviews with a duration of approximately one hour) to obtain their view of the issues which major companies, specifically a company such as Abengoa, should include in their agendas and how this matters converge and affect business strategy. This exercise enabled us to group lines of progression into the three strategic focal points that encompass the activities conducted by the company in CSR affairs: global management and responsible governance, external value creation and internal value creation.

Listed below are the three strategic cornerstones along with the issues that were prioritized through the materiality analysis, the challenges to which they respond, the strategic lines and the related types of capital as defined under the working framework established by the **International Integrated Reporting Council (IIRC).**

(1) Photography contest for employees organized annually by Abengoa. The jury awarded the first prize and up to three runners.

Note 3 Strategic Corporate Social Responsibility Plan (SCSRPlan): defining the framework and guidelines to be followed by the company in this area through a set of initiatives aimed at integrating stakeholder expectations into company strategy, identifying specific targets and drawing up specific measures contributing to closer ties with society.

Strategic cornerstones of Abengoa's SCSR 2020



2020 objectives

Under the framework of the Strategic CSR Plan, Abengoa drew up a set of **impact targets** linked to improving company performance with an outlook to 2020. In order to achieve these objectives, the individuals in charge of the related areas shall carry out regular monitoring of each one of them and determine the most suitable measures for rectifying any deviations.

The targets set in 2014 were defined using values from base-year 2013. Therefore, efforts will be stepped up over the coming year in order to meet these commitments.

Economic Dimension	2020 Targets	Reference Value (2013)	2014
Procurement			
Purchases from local suppliers	To reach 85 % in purchases from local suppliers	78 %	76 %
R&D and innovation			
Investment in R&D and innovation (€M)	Commitment to reaching/maintaining an innovation rate representing 2 % of company revenues.	€ 426 M, 5.8 % of revenues	€ 597.8 M, 8.1 % of revenues
Patents accumulated and applied for	To reach by 2020 the figure of 600 patents accumulated and applied for	261	312
FCPA Compliance			
Employees trained in the company's anti-corruption policies and procedures	100 % of employees having received training in anti-corruption policies and procedures	35 % of the company workforce	31 % of the company workforce
Audits performed by the fraud detection and prevention unit	Effective implementation of a monitoring system with preventive fraud alerts covering all geographical locations of Abengoa operation.	50	143



This logo is found alongside contents that have an associated 2020 target.

Independent Panel of Experts Sustainable Development Recommendation 2014

Target setting

“To measure the achievement of sustainability goals Abengoa should set ESG targets, including, for instance, those for emissions reductions, for bio-diversity and human rights impact assessments and risk management and ESG performance in their supply chain. Reporting could then be focused on the level of achievement against each of these targets. Comparisons with prior years should continue to be provided wherever possible together with explanations of the reasons for major changes.”

Social Dimension		2020 Targets	Reference Value (2013)	2014
Employees				
Job creation	Percentage of female senior managers	To reach a figure of 20 % in the number of women in senior management positions by 2020 (with respect to total number of senior managers in 2020).	12.8 %	10.9 %
	Percentage of female middle managers	To reach a figure of 35 % in the number of women in middle management positions by 2020 (with respect to the total number of middle managers in 2020).	23.1 %	21.8 %
Training (no. of hours over the average no. of employees)		To maintain an average training figure of 45 hours per employee.	47.9	63.7
Absenteeism		5 % reduction in the total rate of absenteeism with respect to 2013.	2.7 %	2.3 %
Work-related accidents		15 % reduction in the accident frequency rate with respect to 2013.	15.4	14.2
		Target of 0 % in employee and subcontractor accidents resulting in fatalities.	1	2
Suppliers				
Supplier analysis conducted in human rights, labor practices and environmental impact.		Screening of 100 % of the company's suppliers	Screening of 100 % of the company's significant suppliers	Screening of 100% of the company's significant suppliers
Total number of high-risk suppliers audited with respect to human rights, labor practices and environmental impact.		Auditing of 25 % of high-risk suppliers	9.6 %	8.4 %
Communities				
Investment in social engagement (€M)		To maintain an investment in community action of around € 10 M.	9.1	9.5
Hours dedicated to volunteering (hours per employee)		To increase the total number of volunteering hours to reach a ratio of 1 hour per employee.	0.4	0.5
Environmental Dimension		2020 Targets	Reference Value (2013)	2014
Energy				
Energy consumption (GJ) (Primary, electric and thermal)		Reduction in energy intensity (GJ used / revenues) by 15 %, taking 2013 figures as the point of reference.	10.5	12
Emissions				
Total emissions (tCO _{2eq})		To achieve a cumulative emissions cut of 20 % by 2020.	11,132,612 tCO _{2eq}	11,249,413 tCO _{2eq} and 459.658 tCO _{2eq} as the result of reduction measures.
Direct emissions (tCO _{2eq}) / revenues		To reduce the emissions ratio (tCO _{2eq} generated/revenues) by 5 % with respect to 2013.	1.5	1.5
Water				
Water reused and recycled (%)		To attain a figure of 15 % in reutilized water by 2020	9 %	10.8 %
Waste				
Waste management		To achieve 50 % in the amount of waste recycled or revalorized	–	35.9 %