

## 03.4 Social and relationship capital





The organisation considers all of its **stakeholders** to be **essential** for the **development of its activity**, in particular its **clients**, with whom, despite the difficult situation over the last year, it has continued to make efforts to comply with the obligations and undertakings acquired by maintaining a high level of quality.

In 2016, clients have stood by the company, demonstrating understanding, support and loyalty, as well as lending their collaboration. For its part, Abengoa continues its efforts to recover its normal activity, responding to clients' needs.

The organisation has **also strengthened its communication channels** to increase transparency and intensify the fluidity of communications in order to **minimise the negative impact** that may be linked to the company's current situation.

Despite the efforts the company has made to try to minimise the impact of the financial restructuring process, unfortunately it has not been possible to achieve a satisfactory solution in all cases.

As a result of this exceptional situation, during this period the business has been adversely affected from the submission of bids through to implementation of projects that had already been contracted. Moreover, given the difficulty of providing tender guarantees, bonds or other securities, Abengoa has failed to submit proposals for specific projects.

In 2016 the company's clients were as follows:

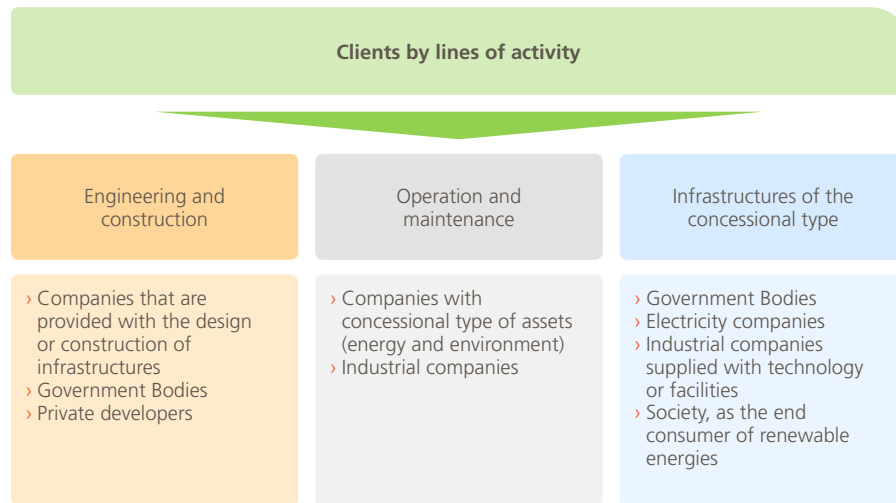
		Sectors						
		Energy			Environment			
		Renewable Energies	Conventional Generation	Transmission & Distribution	Water	Environment	Other	
Activity Areas	Engineering and construction	Solar power plants (thermal, photovoltaic and solar-gas hybrid)	Combined-cycle plants	Transmission lines AC <sup>(3)</sup> and DC <sup>(3)</sup>	Desalination plants	Waste recovery plants (W2E <sup>(4)</sup> , others)	Railway electrification	
		Wind farms	Cogeneration plants	Electrical substations	Water treatment and reuse plants		Telecommunications, electrical and mechanical installations, Marketing and ancillary manufacturing, Industrial plants, Unique buildings	
		Hydro-electric power plants			Water transportation and distribution (pipelines, aqueducts, etc.)			
	Operation and maintenance	O&M <sup>(2)</sup> of solar plants (solar energy, photovoltaic and solar-gas hybrid)	O&M <sup>(2)</sup> of combined-cycle plants	O&M <sup>(2)</sup> of major transmission systems (transmission lines and substations) AC <sup>(3)</sup> and DC <sup>(3)</sup>	Desalination plants		Marketing of components for solar power plants, O&M equipment <sup>(2)</sup> and industrial applications	
		O&M <sup>(2)</sup> of wind farms	O&M <sup>(2)</sup> of cogeneration plants	O&M <sup>(2)</sup> of electricity substations	Water treatment and reuse plants			
		O&M <sup>(2)</sup> of hydroelectric power plants			Water transportation and distribution (pipelines, aqueducts, etc.)			
	Infrastructures of the concessional type	Energy production through solar energy plants (solar power, photovoltaic and solar-gas hybrid)	Generation of electricity from combined-cycle plants	Major transmission systems (transmission lines and substations) AC <sup>(3)</sup> and DC <sup>(3)</sup>	Production of drinking water and water for industrial through the desalination of seawater or brackish water	Waste recovery plants (W2E <sup>(4)</sup> , others)	Unique buildings (hospitals, prisons, cultural centres, courthouses)	
		Energy production through wind farms	Generation of electricity/heat from cogeneration plants		Management of water resources in a river basin	Urban Solid Waste (USW) and forestry waste		
		Generation of electricity through hydroelectric plants			Treatment, purification and regeneration of wastewater from industrial or urban origin			
					Purification of water for human consumption			
	<b>Technology</b>		Licensing <sup>(1)</sup> own technology to third parties					

(1) "Licence" is understood as the technology that the company continues to own although it allows third parties to use it under specific conditions.

(2) Operation and Maintenance.

(3) Alternating Current and Direct Current.

(4) W2E: Waste to Energy, energy generation from waste.



To minimise the negative impact that the financial restructuring has had on business, we have reinforced our work with **two kinds of clients**:

- > **Private developers who are provided with technology and expertise.** Through exclusivity agreements, the company assists and advises them on the development of projects so that, as soon as they are adequately prepared, they can be implemented.
- > **Partners:** collaborative relationships with business partners have allowed Abengoa to continue taking part in tenders.

In addition, we have established a solid control both in the bid phase and in the implementation of projects, creating a sustainable business model focused on two key elements:

- > Growing in local resources
- > Being close to clients throughout the entire project (Planning-Performance)

One of the great strategic milestones developed during 2016 has been the restructuring and regrouping of its businesses, in **order to optimise the use of its resources and capabilities from the perspective of efficiency.** The reorganisation depending on the products and services and the effective adaptation of its management systems will once again allow us to reach the levels of excellence in the quality of our business portfolio.

In addition, the unification of common criteria and procedures, together with compliance with international standards in quality management and models of excellence recognised as benchmarks in the market, help us to maintain a qualified focus on client satisfaction, raising operability margins and consequently excellence in the company's management.

### Focus on the client

Abengoa believes that striving for the full **satisfaction** of its **clients** is **essential** in the proper development of the business. Therefore, now more than ever, compliance with our obligations and undertakings with high levels of quality is a priority element of our management.

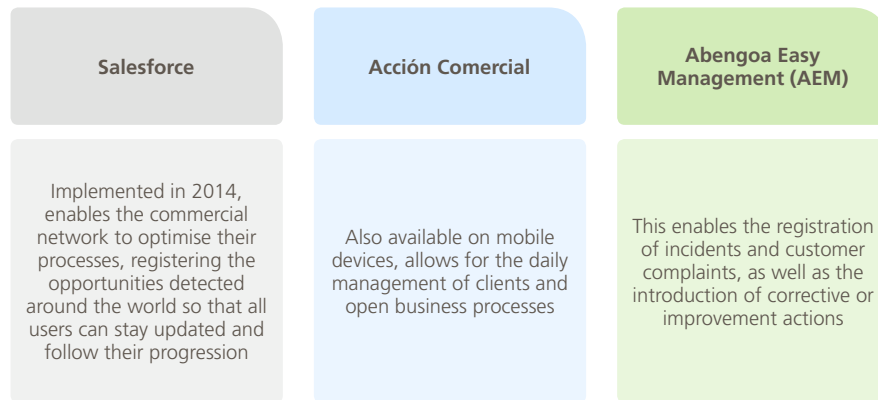
This way of leading activities is endorsed by accredited entities that certify that the company's management systems comply with international standards such as ISO 9001. In 2016, the set of company businesses that had Quality Management Systems in place pursuant to this standard covered most of the group's activity.

The application of this international standard enables us to ensure the monitoring of legal, contractual and best practices requirements in terms of management, as well as guiding the taking of corporate decisions based on controlling the risks associated with non-compliance.

Client satisfaction is assessed through **tools that make it possible to receive any suggestion or complaint that arises.** Complaints are rigorously logged and analysed, and a manager is assigned to each of these. In 2016, 625 customer complaints or incidents were logged, of which more than 400 have already been resolved.

In addition to remedying these, the reception of complaints activates an identification protocol on the reasons and the introduction of corrective measures required to avoid similar situations in the future, using the "Abengoa Easy Management (AEM)" internal tool, designed to maximise the benefits of lessons learned.

In addition to this management tool, Abengoa has three internal tools that aim to facilitate decision-making and ensure proper monitoring of trade-related issues in real time: Salesforce, Acción Comercial and Abengoa Easy Management.





## Suppliers

Suppliers are key stakeholders for the organisation and their support is essential to ensure that the company is able to continue its activity in a sustainable manner.

In 2016, the organisation has focused its attention on completing the process of financial restructuring, marked by the uncertainty that inevitably extends to its stakeholders. In spite of the enormous effort to minimise the negative impact on our value chain, the process has suffered delays that have hampered the resolution of the same, generating a direct effect on suppliers with whom the company maintains a commercial relationship.

Reviewing the main dates involved in this complex process, on 25 November 2015 Abengoa sought protection under Article 5bis of the Insolvency Act in order to be able to carry out negotiations with its creditors with the necessary guarantees. On 28 March 2016, the company presented a standstill agreement, by means of which creditors consented to suspending the exercise of certain rights involving resolution and anticipated debt maturity for a period of seven months. This agreement was legally recognised on 6 April 2016.

Within this context, on 28 October the company submitted an application to the Commercial Court No. 2 of Seville for approval of the restructuring contract agreed between Abengoa and its creditors. During the accession period that ended on 25 October, 86 % support was obtained from the financial creditors at which it was addressed, surpassing the majorities required by law (75%). Following the additional period authorised in January, the final number of accessions to the Restructuring Agreement amounts to 94% of the financial creditors at which it was addressed.

Lastly, on 31 March 2017, the company notified a relevant event to the National Securities Market Commission (CNMV) insofar as it completed the financial restructuring, which involved the restructuring of the debt owed to Abengoa's suppliers through certain discharge of debts in accordance with the forecast of revenue inherent to the business activity estimated in the viability plan.

In spite of the complex situation, the company has had the invaluable support of its partners, who have facilitated the achievement of objectives. Thanks to their loyalty and to the fact that they have made a significant effort to allow Abengoa to continue its activity has it been possible to finalise the restructuring process in a favourable manner.

The company therefore considers management of its suppliers as a priority aspect, and since it is aware of the impact it can create on a significant number of small- and medium-sized enterprises, Abengoa has involved more than seventy people from the team exclusively on this task.

## Next steps towards restructuring

The financial restructuring and the subsequent viability plan have been accompanied by an organisational restructuring of the company, aimed at optimising existing resources and assets.

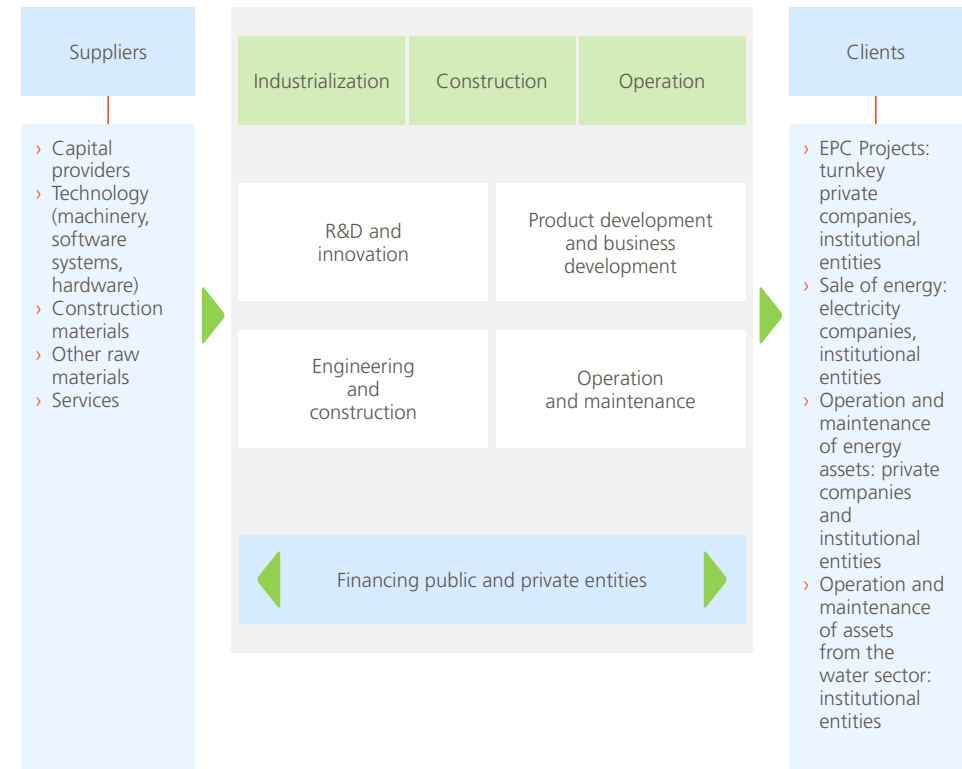
This structure has been designed to address the new stage that Abengoa is commencing, and is focused on promoting a more simplified and efficient organisation and oriented towards business development.

In order to optimise process efficiency, the organisation's activity will be reorganised into two major areas: business and geographies, which are intended to cover all future activities of Abengoa, focusing on our core operations of Engineering and construction and maintaining technology and innovation as key elements of competitiveness. This new structure will maximise the **synergy between the businesses** and increase the traceability in the purchase management of supplies.

The company's goal, on conclusion of the restructuring, is to regain the solid relationship and trust it has built with its suppliers and partners throughout its activity and which has undoubtedly contributed strategically to obtaining the quality and the innovative nature of the sustainable solutions Abengoa offers the market.

## The company suppliers

Throughout the entire value chain of Abengoa, in 2016 the company worked with different types of suppliers, as shown in the following chart:



In 2016, Abengoa worked with approximately 15,000 suppliers in 69 countries in every region of the world.

The countries with the largest concentration of suppliers are: Brazil, Spain, USA, Chile, Mexico, Uruguay, Peru, and India, which account for 80 % of total suppliers. **G4-12**

## Management of the supply chain

Because of its strong international character, Abengoa places special emphasis on establishing, promoting and maintaining sustainable criteria in the development of the business, **fostering compliance with ethical, labour and environmental standards**. It also promotes the search for efficiency in the generation of products and services with quality standards that make it possible to reduce costs and increase profits.

In its supply chain, Abengoa **promotes all the principles assumed in the Spanish network of the Global Compact**, in the **Declaration of Human Rights**, in the **Global Reporting Initiative (GRI) and in the company's own code of conduct**.

The organisation has established strict internal protocols that have allowed us to measure, in real terms, the impact of our own activity as well as our supply chain, both socially and environmentally.

Likewise, the commitment shown by our suppliers and their efforts to improve their levels of responsibility to the environment, through the calculation of greenhouse gas emissions (GHG) and the application of our Corporate Social Responsibility code, help to position the organisation on the indexes of excellence.

The complex situation that the company has undergone in recent times has meant that, without overlooking our responsibility and commitment to sustainability, we have adapted our demanding approval requirements to the current circumstances in order to minimise the impact on the supply chain.

This has enabled the organisation to remove the requirement for calculation of greenhouse gas emissions by suppliers, as a condition for the approval of purchases. Nevertheless, Abengoa considers it essential to continue with the control and reporting of their emissions in order to take measures that reduce their environmental impact. For this reason, the measurement system has been replaced with a detailed estimate of emissions, for this purpose using the record of emission factors that includes information from the last eight years.

During this period the company has adapted the Social Responsibility Code of suppliers and subcontractors, reinforcing it in areas of regulatory compliance. Abengoa will continue to require all suppliers with whom it operates to **adhere to the Social Responsibility Code** based on the principles of the UN Global Compact and inspired by the international standard SA8000. **G4-15**

With the signing of this agreement, the supplier is not only committed to ensuring that its activities are based on the Code, but also willing to undergo an audit or other inspection by Abengoa to verify compliance with the principles. The signing of the CSR Code will be kept in the centralised supplier master, according to the new organisational structure, allowing greater efficiency of the works and avoiding duplication of work by our partners and collaborators.

Once again this year, the health and safety of our employees and third parties involved in our activity has played a prominent role in the management of the activity. Strict compliance with health regulations and the ongoing search for improvements to increase safety guide the practical development of our business. In 2016, companies subcontracted by Abengoa have received 34,732 hours of training in Health and Safety.

## Local suppliers

Fostering collaboration with local partners helps to boost the local economy by helping to improve living conditions in the areas in which it operates, creating direct and indirect employment and indirectly attracting investment.

In 2016, despite the significant decrease in activity, the company has continued to set its targets around a **mostly local supply chain**, encouraging the priority contracting of suppliers in the environment where the company operates.

In compliance with its commitments to foster local wealth, Abengoa has developed a programme to support entrepreneurship in South Africa. Through an external consultant, GO HI Consultancy, it has implemented financial training and business management courses, as well as a mentoring programme that means we can significantly increase the viability indices of business projects. With customised advice, it also assists local companies in obtaining loans for the development of their activity. In a parallel fashion, all beneficiaries come to form part of a database that the organisation uses as a priority tool for the procurement of services in the area.





Abengoa performs its **activity in 46 countries** with a team of **15,979 persons**, generating a significant impact on its economic, social and environmental setting.

*G4-6, G4-10*

As described in its **business model**, Abengoa's activity generates **positive impacts** on **society** and the communities where it operates, through:

- › **Facilitating access to drinking water**, thanks to desalination, re-utilisation and construction of water pipelines in regions where water supply previously proved unfeasible
- › **Generating electricity** from renewable sources
- › **Ensuring access to electricity** in isolated regions as the product of local power transmission lines
- › **Promoting sustainable transportation** through bioethanol production

Abengoa's projects must be in keeping with the company's mission and vision and, accordingly, with its sustainability-based business model as well. This requires having a methodology in place that enables the company to manage (prevent and mitigate) any potential negative impacts deriving from its projects, drawing up prevention and remediation measures appropriate to each specific situation.

The complex financial system that the company has faced in recent times, mainly due to the debt restructuring, has entailed a restriction on the financial and human resources available. Although the company is confronting this new stage with the moderation that the circumstances require, Abengoa continues with its **firm commitment to society** and to **contributing benefits in the communities where it operates**.

## Mechanisms for protecting Human Rights

Abengoa integrates the principles governing the Universal Declaration of Human Rights of the United Nations, the rights of the Global Compact, the SA8000 standard and the OECD guidelines into each of the initiatives that it undertakes throughout its value chain, irrespective of the geographies where it performs its activity. The company likewise categorically condemns all forms of child labour in accordance with the provisions of Convention 138 of the International Labour Organisation (ILO). **G4-15**

Because the company is present in 46 countries, prevention and control of possible violations of human rights must be carried out in an even more comprehensive way, if at all possible. Accordingly, Abengoa has **Common Management Systems**, which are applied to 100 % of the company without exception, which include **internal compliance standards** ultimately approved by the company chairman.

Furthermore, the company has a **Universal Risk Model (URM)**<sup>1</sup>, which ensures proper prevention and management of the risks associated to violation of human rights throughout the value chain.

In addition, there are other mechanisms designed to protect Human rights, such as: **G4-58**

- › **Code of conduct:** this sets out guidelines and measures to prevent incidents related to the violation of human rights or any other of the organisation's values, as well as demanding compliance with the very highest standards of honesty and ethical conduct, including procedures to deal with conflicts of professional and personal interests. **G4-56**
- › **Internal and external whistleblowing** channels<sup>2</sup>
- › Accession by suppliers to the **Code of Corporate Social Responsibility**<sup>3</sup>
- › **Monitoring** of Abengoa **companies** considered material
- › Non-financial **internal audits**
- › **Monthly committee** meetings with the chairman

Note 1 [Further information in the chapter on Risks.](#)

Note 2 [Further information in the chapter on Transparency.](#)

Note 3 [Further information in the chapter on Suppliers.](#)

## The company's relationship with communities

Abengoa believes that the good relationship it has with local communities, as well as respect and development in the areas where it operates, reaps benefits, referring to this method as "**social licence to operate**".

Since its inception, Abengoa's social engagement has been channelled through the Focus-Abengoa Foundation, which has been working for more than 25 years in furtherance of the social and cultural development of the communities where Abengoa operates.

From 2014 to 2016, the company reported its social performance in line with the criteria proposed by **the London Benchmarking Group (LBG) methodology**. This model defines a method to measure, manage, assess and disclose contributions, achievements and impacts of the company's social engagement with the community.

<b>Social Development Program: PE&amp;C</b>	
<b>1. Social development</b>	
<b>Objective</b>	<p>Abengoa is committed to the socioeconomic development of the communities and geographies where the company conducts its business.</p> <p>A flagship initiative of the company is the PE&amp;C (People, Education and Communities. Committed to Development) programme. The programme embraces the mission of social development of the most vulnerable social groups through education.</p> <p>The programme, which was launched in 2005 in Argentina and is now present in nine countries (Argentina, Peru, Brazil, India, Mexico, Chile, Spain, Sri Lanka and Morocco), promotes integration through education of the most vulnerable social groups: children, women, senior citizens, disabled persons or families in a situation of poverty or social exclusion.</p>
<b>Key initiatives</b>	<p>Currently, the complex situation that the company is undergoing and the severe limitation of financial resources in recent months has meant the gradual and temporary reduction of the contributions made to social projects in the different regions.</p> <p>As part of the restructuring plan agreed with creditors and in order to limit the social engagement items based on the resources available in the different business units, each company has assessed its capacity to fund social development projects, maintaining, in some cases, their commitment to certain local social projects.</p> <p>In an effort to avoid the negative impact on these communities and disadvantaged groups, the company has worked hard to find partners and collaborators who could provide continuity to these projects until Abengoa can recover a solid economic position that allows it to continue working and giving support to them.</p>

## Social development in South Africa

Abengoa, as part of the commitment to provide value-added to the growth of communities where it operates, has worked intensively in South Africa in recent years.

In 2016, the Khi Solar One solar plant launched its management model based on the **promotion of local value** as a differentiating factor in the market, through socioeconomic and entrepreneurial programmes that are able to increase wealth in the long term and in a sustainable manner over time.

Accordingly, the socioeconomic programme establishes investment in education and entrepreneurship as a cornerstone for the consolidation of changes in present generations that will undoubtedly imply a positive impact on economic regeneration of their environment.

### Actions carried out

#### › University scholarships for young people from local communities

Ten students have been awarded scholarships at different universities of the country, through the financing of university fees, the course materials needed and a monthly income to cover all subsistence expenses.

In order to encourage university education, the beneficiaries will see their scholarship renewed until the end of their studies as long as they pass their subjects.

#### › Paid training in Operation and Maintenance (O&M) tasks

In this programme, students acquire the knowledge required to train as specialists in O&M of solar plants. Each student has an assigned tutor who monitors and supplements their training. In 2016, three participants joined the workforce and two other beneficiaries were recruited by companies in the sector.

#### › Local business regeneration

Khi Solar One implemented an ambitious local business regeneration programme through a specialised economic consultant. The project offers free-of-charge consultancy and guidance services to local companies and entrepreneurs to obtain financial resources from financial institutions with which a collaboration agreement has been signed.

The programme currently has 57 small- and medium-sized enterprises registered, 26 of which are at an advanced stage in the financing process.

#### › Technical training courses for local entrepreneurs and business persons

In order to improve the operational and financial capacity of local entrepreneurs or business persons, the project offers courses in technical training and includes the study of accounting, operational management, suppliers and marketing, among others.

So far, more than 30 Small- and Medium-Enterprises have participated in the training courses.

#### › Opening of a specialised centre

In 2016, Khi Solar One opened a centre whose aim is to concentrate all activities aimed at boosting skills, as well as providing a space equipped with computer resources and meeting rooms to meet the infrastructure needs of local businesses. In addition, the economic consultant has a space enabled to assist local businesses through personalised advice.

### Promotion of Education and culture

#### 2. Education and research

<b>Objective</b>	Promoting education and scientific research on renewable energies and climate change.
<b>Key initiatives</b>	<ul style="list-style-type: none"> <li>› Award for the best doctoral thesis on a topic related to Seville. The winner was Ramón Queiro Quijada, for his work "Municipal Patronage and Royal Patronage of Affordable Housing in Seville. Contributions to the shaping of the of the city through social housing 1913-1986."</li> <li>› I Conference on Museums, Art and Education, in conjunction with the University of Seville.</li> </ul>

#### 3. Supporting art and culture

<b>Objective</b>	The Foundation is dedicated to preserving, sharing and disseminating art through initiatives and heritage revolving around the Baroque.
<b>Key initiatives</b>	<p>1.- "Velázquez. Murillo. Seville<sup>(1)</sup>" exhibition, which has received more than 100,000 visitors during its opening to the public (November 2015 – April 2016). The exhibition has become the most visited exhibition in the history of the Focus-Abengoa Foundation.</p> <p>This cultural initiative is the first of the events planned to commemorate the 4th Centenary of Bartolomé Esteban Murillo. The prestigious curator Gabriele Finaldi proposed establishing a comparative vision between the two painters through 19 works from the Focus Abengoa Foundation's own collection and national and international loans. To this end, the Foundation had the special collaboration from the Prado Museum and the contribution of prestigious international museums such as the Louvre, National Gallery, Meadows, Kunsthistorisches, The Frick Collection, Wellington Collection, Dulwich Picture, Nelson-Atkins, Orleans Museum, and the Villar-Mir Cultural Fund.</p> <p>In addition, the "Velázquez. Murillo. Seville" exhibition has become the first one accessible for persons with cognitive difficulties, thanks to the application Es+Facil (It's Easier), developed by the "Autism of Seville" association.</p> <p>2.- Cultural activities to complement the exhibition: the Foundation offers guided tours for educational centres; family visits organised by "Cogs of culture", as well as the possibility of arranging private tours.</p>

(1) The exhibition was undertaken with the assistance of Cajasol, ABC and Heineken.