



Suppliers

#### Targets for 2018

- › **Make progress in the process of restructuring the debt** according to the feasibility plan, to recover as soon as possible the solid relationship of trust that has been built with our suppliers and partners throughout all the years of the company's activity.
- › **Homogenize the supplier portfolio** in order to have complete information that enables us to have global knowledge rather than by subsidiaries.
- › **Simplify the bureaucratic procedures** in the procurement of suppliers and **increase synergies** between the portfolio of partners, suppliers and contractors.

#### SDGs that apply



Abengoa considers **management of its suppliers** as a **key and priority aspect** and strives daily to recover the relationship based on trust and mutual benefit that had been built up over all the years of activity, in addition to ensuring quality, promoting a culture of responsible management and encouraging ethical behaviour with them.

The organisation is aware of how, in the latest period, suppliers and contractors have maintained their allegiance and have performed major efforts to allow Abengoa to continue with its activity. This is why the organisation focuses all its endeavours on meeting the debt-restructuring **milestones in accordance with the feasibility plan**, to return to normal as expeditiously as possible.

2017 has been a year of change for the organisation, marked by the reshaping of all business areas aligned with the new strategic plan. In this regard, there has been **centralisation of the purchasing area to maximize efficiency of processes**. This new structure allows us to optimize operations, making it possible to reach a balance between local and global.

To centralise purchases, work is being conducted to introduce a standardised **approval process for all Abengoa suppliers**; the process includes sustainability criteria and covers the geographical diversity and operations activities. The unification of procedures has been carried out by a specialised team comprising the areas of Purchasing, Internal Audit, CSR, Quality, and Prevention of Occupational Risks.

The main **goals** of this unification of procedures are the following:

- › The **reduction of risk in the procurement of goods and services**, maintaining or improving the flexibility of this through the generation of efficient administrative processes.
- › Carry out a more **exhaustive evaluation of the supply chain**, enabling us to identify and assess the risks of the suppliers, rewarding the excellence of the same.
- › Facilitate more **efficient communication**, since there will be a single repository of information about the supplier that can be queried by anyone that wishes to contract them; in turn, said provider will have a single contact person to provide the information to.

The launch and implementation of the project is being carried out gradually, with a pilot phase in Spain and a progressive launch by regions.

## Our suppliers

Throughout 2017, Abengoa has worked with 11,554 suppliers in 64 countries, of which 5,773 suppliers are new. As a result of last year's changes, Abengoa has reduced the number of its suppliers by 27 %.

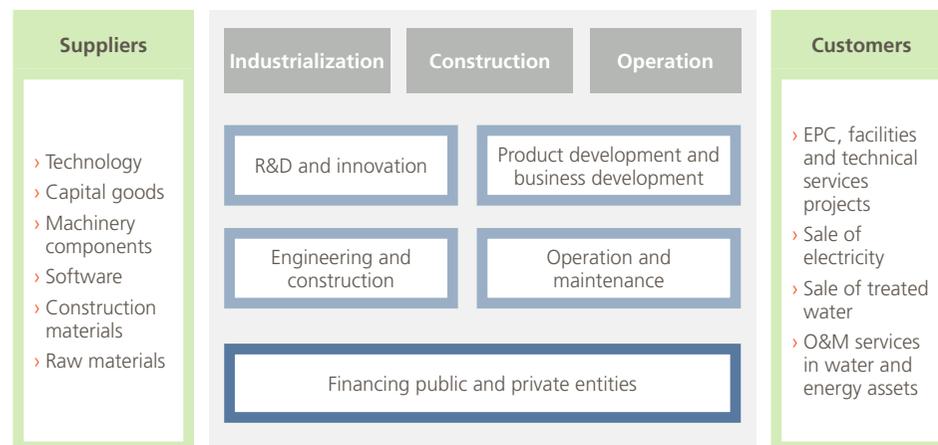


The countries with the largest concentration of suppliers are: Brazil, Spain, USA, Chile, Mexico, Uruguay, Peru, and India, which account for 70 % of total suppliers. [102-9](#)

Brazil is the country that has a greater number of suppliers through its bioenergy activity. However, this is not significant, given that the divestments of this business group began in 2017. [102-9](#)

## Types of suppliers with which Abengoa works

### Abengoa supply chain



Suppliers provide service to the industrial construction, EPC products, O&M, as well as to the internal infrastructure necessary to operate. They manufacture products such as capital goods, raw materials, construction material and services such as engineering/consulting, construction, installation, logistics and maintenance.

During 2017 there was a **structural change due to the sale of bioethanol production plants** in Europe and the United States, leading to appreciable changes in Abengoa's supply chain, especially in these countries, where this was the main activity. Remaining changes are those as a result of the activity itself. *102-10*

## Management of the supply chain

Abengoa is aware of the responsibility it has throughout its supply chain, and not only in its end product. Accordingly, the organisation considers it necessary and key to implement and promote the highest possible standards in the area of social responsibility, in each and every one of its business lines. The company transmits its **commitment to sustainability** to all its suppliers as a core element of its commitment to sustainable development. Promoting a culture of responsibility throughout the value chain multiplies the positive impact of the organisation's values and principles.

With the aim of running the businesses with the greatest integrity and respect towards all its stakeholders, since 2008 Abengoa has required all the organisations with which it collaborates to **adhere to the Social Responsibility Code (SRC) for suppliers and subcontractors**, which was updated in 2016, reinforcing the areas of corporate integrity, transparency and good governance. *102-12*

Therefore, the signing of this code aims to **promote compliance with social, environmental and good governance regulations**, as well as the best international practices of business ethics, which covers the company's entire production process and ensures greater transparency in its own operations and in those of its stakeholders.

**Adhering to this code** is not only a way to do good business, but also to **improve** the living and working conditions of people throughout the supply chain, contributing to a **more sustainable world**, and helping to **achieve the Sustainable Development Goals (SDGs)** set by the United Nations in 2015.

The Social Responsibility Code for suppliers and subcontractors contains different clauses based on the ten principles of the United Nations Global Compact, the Universal Declaration of Human Rights, the guidelines of the International Labour Organization, the Rio Declaration on the Environment, and the United Nations Convention against Corruption, and assumes a **commitment to establish mutually beneficial relationships** with the company's suppliers. *102-13*

By signing 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**. 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.

## Management of risks in the supply chain

Abengoa complies with the commitments established in its supply chain through development of a system that enables the identification of risks in the management of its purchases.

This system includes sustainability criteria in each of the evaluations performed with suppliers, and includes specific tools and procedures that allow us to analyse their level of risk. In this way the organisation targets all its resources at avoiding any conduct that could contravene the principles of action established by the company.

In addition, there is a regular **analysis of suppliers** that have the greatest risk, to **evaluate the supply chain** in Abengoa's activity: monitoring all suppliers' involvement and compliance with corporate policies, thus determining the level of risks and establishing specific mitigation measures.

This analysis weighs up different variables, such as the country from which the supplier operates, the nature of the supply or type of activity carried out, or other more subjective aspects arising from the company's knowledge of the suppliers. To determine the risk level of the supplier's country, Abengoa uses recognized international indexes related to human rights (child labour, discrimination, freedom of association, etc.), corruption and the observance of political and civil rights, among others.

Depending on the results obtained, supplier audits may be carried out to determine the degree to which the supplier is guaranteeing compliance with the principles included in the SRC. To do so, an **audit procedure** has been created that defines the aspects to be reviewed and establishes the scope of the work according to the supplier's degree of importance. The analyses can be carried out through self-assessment questionnaires or through audits (remote or face-to-face) that include visits to the supplier's facilities.

## Prevention of risks in the supply chain

Abengoa's commitment to health and safety covers not only the production process, but the entire value chain. That is why suppliers and subcontractors received 7,816 hours of health and safety training during 2017.

## Local suppliers

Since its inception, the company has had a firm commitment to the **socio-economic development of the communities where it carries out its activities**. It is for this reason that Abengoa tries to consolidate this commitment by contracting the highest possible number of local suppliers. This enables the organisation to strengthen the local economy, as well as improve the living conditions of the communities through the promotion of direct and indirect employment.

During 2017, the percentage of local suppliers was 87.3 %. However, and despite the significant decrease of 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. *204-1*

The breakdown of purchases made from local suppliers by country during 2017 was as follows:

Country	% Local suppliers	Country	% Local suppliers
Algeria	92.98	Oman	61.58
Argentina	82.60	Peru	91.28
Brazil	99.48	Poland	36.66
Chile	95.51	Saudi Arabia	89.75
Denmark	83.46	South Africa	81.81
France	94.10	Spain	82.88
Germany	81.49	Sri Lanka	100.00
India	99.94	The Netherlands	75.81
Israel	99.36	Turkey	58.10
Kuwait	35.08	United Kingdom	86.61
Mexico*	114.67	Uruguay	82.15
Morocco	75.39	USA	95.04

\* The percentage of local suppliers in Mexico is higher than 100% due to the effect of returns and credits that have been taken into account in the calculation.

In order to fulfil the commitment with the communities where Abengoa operates, among the many actions that the company carries out in South Africa is that of fostering the contracting of local SMEs through training and development of these enterprises. This promotion is carried out through the Go-Hi consultancy that carries out business and financial training in those companies that have the potential to become local suppliers of the different organizations that are steadily arriving in the country.