



Suppliers

Goals set forth in the 2019-2023 SCSR

Progress contribution



- › Conduct **audits** in 15 % of **suppliers detected as critical**.
- › Priority is given to **purchases from local suppliers** to improve the economy and help drive the socio-economic development of the regions in which we operate.

Suppliers are key stakeholders for the organisation and their support is always vital to guarantee that the company can follow a sustainable approach in its activities.

Abengoa has continued to work on a daily basis throughout 2018 with the aim of recovering the **relationship based on trust and mutual benefit** acquired with its suppliers, in addition to guaranteeing **quality** and promoting a **culture of responsible management** and fostering an **ethical behaviour**.

This is one of the company's commitments in response to the loyalty of its suppliers and contractors at all times, who have made a huge effort in many cases to allow Abengoa to continue with its activity. To this end, Abengoa concentrates its endeavours on meeting the debt restructuring milestones in accordance with its feasibility plan, with the purpose of restoring the situation back to normal as soon as possible.

Centralised purchasing

The process started in 2017 to **centralise the purchasing area**, derived from the implementation of the new strategic plan, **has continued to make steady progress as expected throughout 2018**. The purchasing process was restructured with the purpose of maximising the process efficiency, optimising the operations and balancing local and global.

Progress is still being made in the purchasing area on the consolidation and improvement of the **standardised approval process** for all of Abengoa's suppliers, including sustainability criteria and considering the geographical diversity and activities of its operations.

This activity is being developed by a specialised team, including members of the purchasing, internal audit, CSR, quality and health and safety areas.

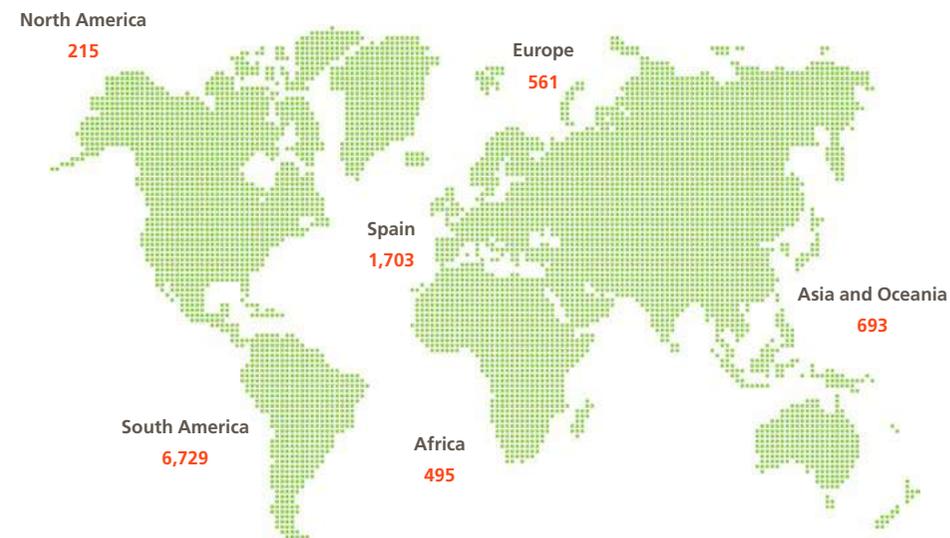
The main goals of unifying such procedures are as follows:

- › **Reducing the risk of purchasing goods and services**, maintaining or improving upon the agility levels with the generation of efficient administrative processes.
- › **Performing a more comprehensive assessment of the supply chain**, to identify and assess supplier-related risks.
- › **Streamlining the purchasing process**, recording the information about suppliers in a single information repository, which can be checked by the purchasing managers.
- › **Unifying the interaction with suppliers** when the requested information needs to be provided.

The project is being launched and implemented gradually, with a progressive implementation in each region.

Our suppliers

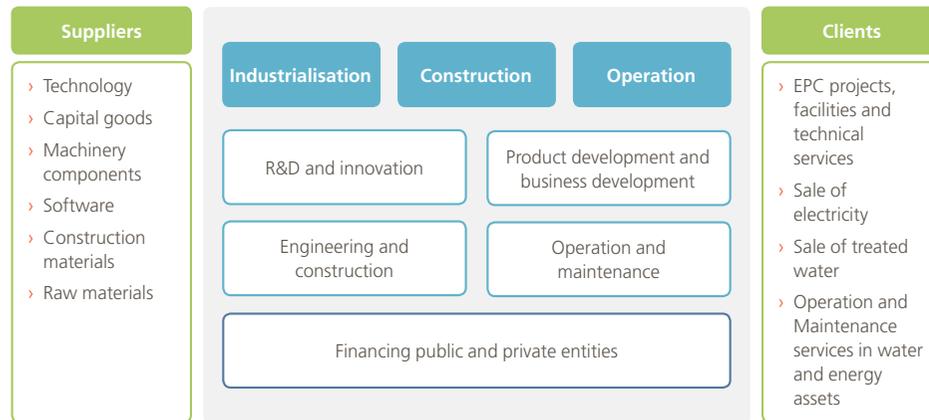
Throughout 2018, Abengoa has worked with **10,396 suppliers in 61 countries**, out of which **5,094 suppliers started working for the company this year**.



The countries with the highest number of suppliers are: Brazil, Spain, Chile, Mexico, Argentina and Peru, accounting for 75 % of the total. **102-9**

Brazil is the country with the highest number of suppliers through its bioenergy activity. However, the trends are expected to change in the short-term, due to the current divestment process in this activity. **102-9**

Type of suppliers with which Abengoa works:



In general, suppliers offer their services to the main areas of activity of the company, i.e. engineering, construction and operation and maintenance, as well as to the internal infrastructure required by the company to operate. The main types of supplies include capital goods, raw materials and construction materials. Regarding services, the most important are those related to engineering, consulting, construction, installation, logistics and maintenance.

During 2018, the company has made progress in the divestment in the bioethanol business, which has led to changes in the organisation's supply chain, since the level of representation of suppliers associated with this business has changed from a high level in previous years to almost non-existent at present. [102-10](#)

Supply chain management

The company pays special attention to its responsibility in the supply chain, mainly due to its international presence in emerging countries, the large number of suppliers with which it works and their importance in the development of the company's activities. It is for this purposes that Abengoa focuses on **establishing, fostering and ensuring high levels of social responsibility in its lines of activity**, promoting compliance with ethical, labour, environmental and health and safety standards with its suppliers, as well as efficiency to produce products and services with high standards of quality, which reduces costs and increases benefits.

To this end, Abengoa transmits its commitment to sustainability to its suppliers as a key element in its undertaking to sustainable development. Promoting a **culture of responsibility throughout the value chain allows the positive impact to be multiplied across the organisation's values and principles**.

Since 2008, Abengoa requires its suppliers to **adhere to the Social Responsibility Code for suppliers and subcontractors**, which was updated in 2016, strengthening the corporate integrity, transparency and good governance areas. [102-12, 414-1](#)

The clauses included in the Social Responsibility Code for suppliers and subcontractors are based on the principles of the UN Global Compact, the Universal Declaration of Human Rights, the guidelines of the International Labour Organisation, Rio Declaration on Environment and the UN's Convention against Corruption. [102-13](#)

Adhering to this code is not only a way of ensuring business is done as expected, but also a means of improving the quality of life and professional conditions of all actors across the supply chain, contributing to a more sustainable world and helping achieve the Sustainable Development Goals (SDGs).

By signing this agreement, the supplier not only **commits to comply with these principles in its activities**, but also to openly **accept any audit or inspection** conducted by Abengoa to ensure the code is being observed.

The signature of the CSR will be included in the centralised suppliers master file, in accordance with the new organisational structure, which will increase the efficiency of the work and prevent any duplicate work from our partners and collaborators.

Risk management in the supply chain

Responsible management does not only refer to the prevention and mitigation of the company's risks, but also of those that affect any process across the organisation. It is for this reason that Abengoa started assessing suppliers with a certain level of risk again in 2018, with the purpose of assessing the supply chain, monitoring the involvement in and acceptance of the corporate policies by suppliers, determining the level of risk and establishing measures to mitigate it.

Suppliers are assessed by conducting an analysis that not only considers material or awarding amount factors, but also identified a series of factors that could be considered as risks, for example: country of origin of the supplier, its activities, materials supplied, and other more subjective criteria that could be associated with reputational risks for the company. International indices are used to determine the company's level of risk, among others, which include different aspects, such as human rights, labour practices, corruption, political and civil rights, and political and environmental risks. In total, 20 aspects will be analysed: *308-1, 308-2, 412-1, 414-2*

Human rights and labor practices	Corruption	Political and civil rights	Political risks	Environmental risks
<ul style="list-style-type: none"> › Human rights › Child labor › Discrimination › Freedom of association › Labor vulnerability 	<ul style="list-style-type: none"> › Corruption perceptions index › Bribe payers index 	<ul style="list-style-type: none"> › Degree of freedom in political and civil rights › Observations 	<ul style="list-style-type: none"> › Change-related risk › Government non-payment › Political interference › Supply chain disruption › Regulatory and legal risks › Political violence › Business risk › Banking vulnerability 	<ul style="list-style-type: none"> › Energy-derived CO₂ emissions rate › Access to running water › Air pollution concentration

After the risk level of suppliers has been analysed and its criticality has been evaluated, **suppliers will be assessed** with the purpose of determining to what extent they comply with the principles defined in the CSR Code.

An audit procedure was created to conduct these assessments, which defines the aspects to review and establishes the scope of the work, according to the degree of importance of the supplier. The analysis can be conducted using self-assessment questionnaires or through audits (on-site or remote) which include visits to the supplier's facilities.

In 2018, such activities were carried out remotely due to the company's situation at the time, sending a self-assessment questionnaire to suppliers to collect additional information.

- › Total number of suppliers analysed: 7,563
- › High-risk suppliers detected: 671
- › High-risk suppliers detected (%): 8.87
- › Critical suppliers: 63

The 2019-2023 CSR Strategy Plan includes the need to make progress on the **audits** that must be conducted in **15 % of the suppliers detected as critical**.

Risk prevention in the supply chain

Abengoa's commitment to health and safety is not only associated with the production process, but with the entire value chain. For this reason, its suppliers and subcontractors received 12,473 hours of training on health and safety during 2018.

Local suppliers

Abengoa has a strong **commitment to the social and economic progress of the communities in which it operates**. Therefore, it seeks to boost the generation of wealth in the countries in which it has a presence with the implementation and development of economic relations with local suppliers.

Working with local partners allows the organisation to strengthen and provide support to a stable local economy, helping improve the living conditions in the areas where it develops the different activities by creating direct and indirect jobs and by attracting indirect investment.

During 2018, local suppliers accounted for 77.4 %, broken down by country as shown below:

204-1

Country	% Local suppliers, by country	% Local suppliers, according to the total
Saudi Arabia	90.34 %	21.84 %
Algeria	100.00 %	0.13 %
Argentina	77.37 %	2.38 %
Brazil	100.00 %	5.09 %
Chile	95.47 %	4.07 %
Denmark	81.53 %	2.03 %
US	84.37 %	5.06 %
Spain	55.94 %	13.59 %
France	93.37 %	1.21 %
India	100.00 %	0.06 %
Israel	100.00 %	0.26 %
Kuwait	10.87 %	0.02 %
Morocco	76.77 %	1.99 %
Mexico	62.51 %	9.31 %
Oman	90.89 %	1.47 %
Peru	89.48 %	2.01 %
Poland	69.38 %	0.06 %
United Kingdom	99.93 %	0.31 %
Sri Lanka	100.00 %	0.00 %
South Africa	93.70 %	3.27 %
Turkey	67.18 %	0.00 %
Uruguay	91.01 %	3.28 %

