

04. Commitment to stakeholders and creation of shared value

4.5

Value in the supply chain



22

countries where purchases are made



859€M

purchasing volume



3,381

approved suppliers in 2019 according to CSR criteria



8,313

suppliers



667€M

local purchases



77.5 %

% of purchases from local suppliers



04. Commitment to stakeholders and creation of shared value / Value in the supply chain

Goals set forth in the 2019-2023 SCSR

Contribution to progress



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. **77.5 %**

Maintain 85 % of local employees **100 %**

The relationship with suppliers is a priority for Abengoa. In this regard, the company strives to maintain a **relationship** with them **based on trust and mutual benefit**, guaranteeing quality, promoting a culture of responsible management and fostering an ethical behaviour.

Human Rights



Complete the implementation in all regions of a unified purchasing system that includes CSR criteria and risk assessment in the approval process in order to foster a responsible purchasing process. **50 %**

Perform an annual human rights risk analysis of 100 % of important suppliers. **100 %**

Conduct audits in 15 % of suppliers detected as critical. **100 %**

Abengoa is aware that in recent times local suppliers and contractors have maintained their loyalty and have made a significant effort to allow the company to continue with its activity. Thus, it has concentrated all its efforts in substantially reducing the debt level from the start of the restructuring in 2015 and continues to work with its suppliers to repay them completely in a sustainable and manner in alignment with the evolution of the business.

Supply chain management

Abengoa's purchase management model is oriented to optimising operational costs, mitigating risks, sustainability in supplier relations and promoting the local supplier database. This all occurs within a framework of transparency and in compliance with the applicable law and good practices, conducted in a socially responsible manner.

To this end, the purchasing function, in addition focusing on relationships with providers who for technological reasons are more global, is established close to local suppliers and businesses, in order to maximise local operations and enhance understanding of the dynamics of each territory and foster long term relationships.



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Contracting policy is governed by the principles of transparency, rigour and professionalism of all professionals, with the most relevant procedures within purchase management shown below:

- 1 Approval of suppliers
- 2 Request for offers
- 3 Analysis of offers and tabulations
- 4 Internal approvals workflows
- 5 Formalisation
- 6 Monitoring and inspection

Centralised purchasing

With the purpose of **optimising purchasing management** in the company and performing a balance between local and global, in 2017 the process to **centralise the purchasing area** was started as part of the new strategic plan.

For this end, a **standardised approval process** for all Abengoa's new suppliers was developed. This process covers the diversity in the geographical and activities of the company's operations and records the principles that a supplier must meet in relation to **health and safety, regulatory compliance, defence of human rights and environmental protection**, among others.

Promoting a **culture of responsibility throughout the value chain** allows to multiply the positive impact of the company's values and principles.

The unification of procedures was performed by a specialised team formed by the purchasing, internal audit, CSR, quality and health and safety areas.

The approval process framework is described below.



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Responsible purchasing:

Abengoa attaches special importance to the company's responsibility over its supply chain, even for an organisation with a large number of suppliers and a growing international presence in emerging countries.

For this reason, it places special interest in **promoting compliance with ethical, labour, environmental and health and safety standards** with its suppliers. Encouraging and promoting a culture of responsibility throughout the value chain allows the positive impact to be multiplied across the organisation's values and principles.

To this end, since 2008 Abengoa requires the adherence to the **Social Responsibility Code (SRC) by its suppliers and subcontractors**. The clauses included in this 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. *102-12, 102-13, 414-1*





The SRC was updated in 2016, strengthening the corporate integrity, transparency and good governance areas and becoming a necessary condition for the approval of suppliers. 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 SRC 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.

Signing of the Suppliers CSR Code

The supplier/subcontractor must promote and respect, among others the following principles:

<div style="background-color: #f9a825; padding: 10px; border-radius: 10px; margin-bottom: 10px;">  <p style="text-align: center;">Ethics and integrity</p> <ul style="list-style-type: none"> ■ Operate in an ethical manner ■ Compliance with laws and regulations ■ Practices that generate negative impacts ■ Prevention and fight against any form of corruption ■ Fair competition ■ Confidential information ■ Intellectual property rights ■ Countries not included in the list of sponsors of terrorism ■ Conformity with US Foreign Corrupt Practice Act </div>	<div style="background-color: #e67e22; padding: 10px; border-radius: 10px; margin-bottom: 10px;">  <p style="text-align: center;">Labour practices</p> <ul style="list-style-type: none"> ■ Respect the fundamental rights of the International Labour Organization (ILO's Conventions and Recommendations) ■ Prohibition of child labour ■ Prohibition of forced labour ■ Compliance of wages and working hours ■ Rights of freedom of association, affiliation and collective bargaining ■ Equal opportunities and non-discrimination </div>	<div style="background-color: #27ae60; padding: 10px; border-radius: 10px; margin-bottom: 10px;">  <p style="text-align: center;">Environment</p> <ul style="list-style-type: none"> ■ Respect for the environment ■ Compliance with the applicable legislation and regulations in this matter ■ Preventive approach that protects the environment ■ Ensure the minimisation of environmental impact ■ Promoting actions for improvement and efficiency in relation to emissions, water consumption, waste generation and management, energy consumption, use of raw materials and other resources </div>
<div style="background-color: #3498db; padding: 10px; border-radius: 10px; margin-bottom: 10px;">  <p style="text-align: center;">Human rights</p> <ul style="list-style-type: none"> ■ Respect for human rights and avoid any infringements in this regard ■ Avoid harassment and abuse </div>	<div style="background-color: #f39c12; padding: 10px; border-radius: 10px; margin-bottom: 10px;">  <p style="text-align: center;">Health and safety</p> <ul style="list-style-type: none"> ■ Safe and healthy work environment ■ Ensure workers' protection, assessing activity risks ■ Prevent injuries and accidents ■ Proper and sufficient training in health and safety ■ Compliance of quality and safety criteria ■ Due diligence required by law on the source and custody of conflict materials </div>	

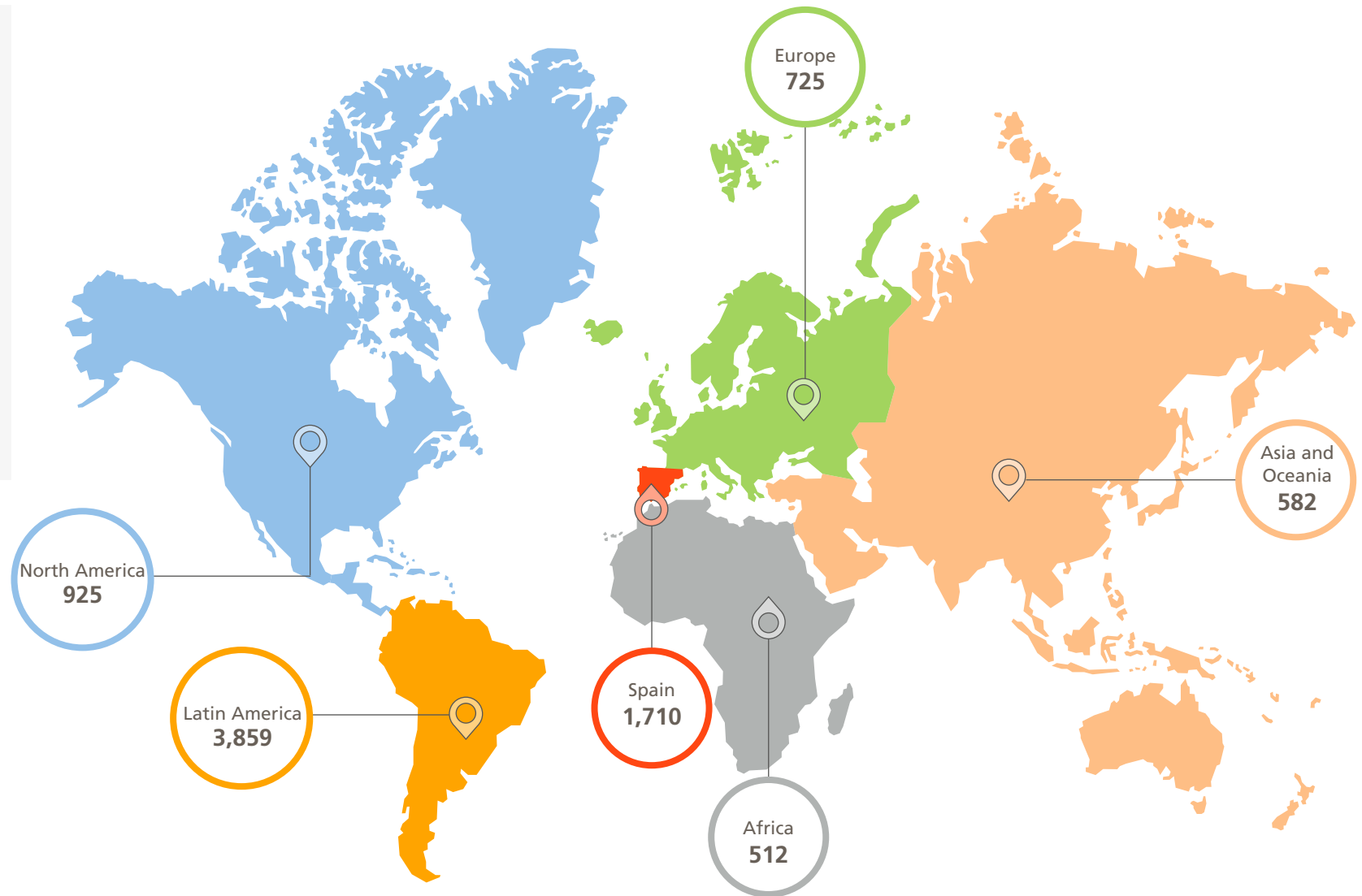
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Company suppliers

Abengoa has worked in 2019 with

8,313
Providers in
22
countries,

of which
3,381
are new.



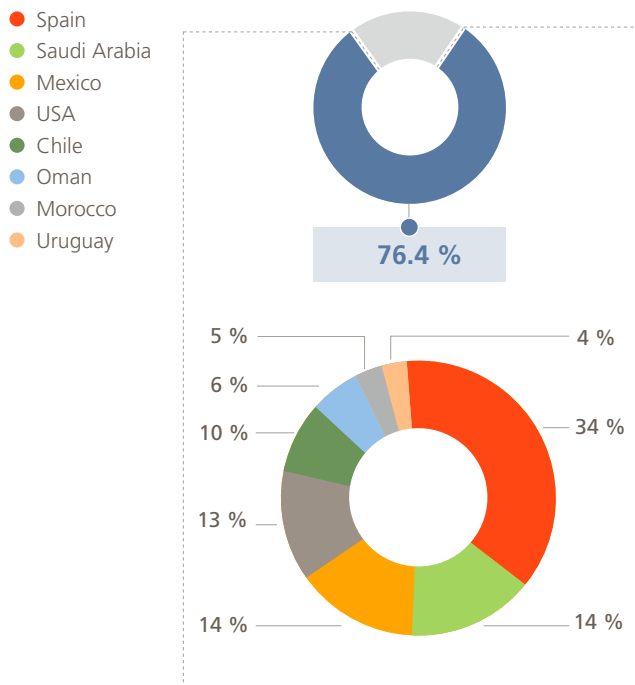
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The countries in which Abengoa has established relationships with the greatest number of suppliers are Spain, Chile, Peru, Mexico, Uruguay, Brazil and Argentina. *102-9*

Brazil has a high number of suppliers, not only because of its bioethanol production activity which, although it is involved in a divestment process, remains active and requires the services of a large number of suppliers, but also because of the reactivation of construction activities in this country. *102-10*

In terms of purchase volume, the most significant are Spain, Saudi Arabia, Mexico, United States, Chile, Oman, Morocco and Uruguay, which account for approximately 77 % of the total.

Countries with greatest purchase volume



Throughout the value chain, Abengoa has worked during 2019 with different types of suppliers, as shown in the chart below.

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 with a broad spectrum of technological development, raw materials and components, as well as professional engineering, construction and installation, consulting and advisory services.



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Supply chain risk management

Abengoa annually conducts an **analysis of suppliers with a certain level of risk to assess the supply chain, monitor the involvement in and acceptance of the corporate policies by suppliers**, determining the level of risk and establishing measures to mitigate it.

This analysis considers different variables, such as the **country where the provider operates**, the **nature of the supply**, the **type of activity** performed or other more subjective aspects that

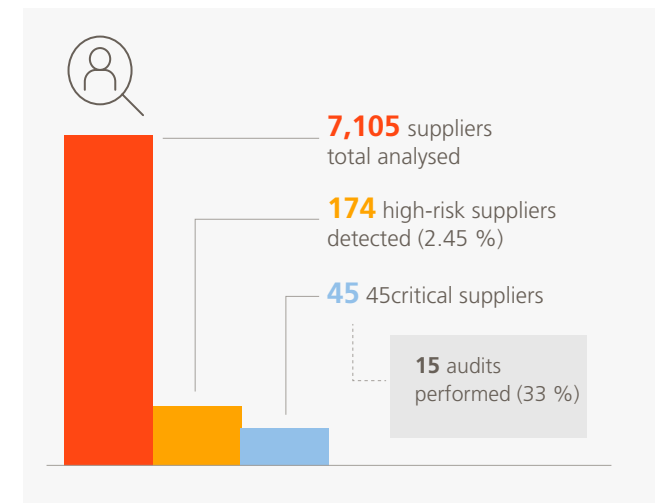
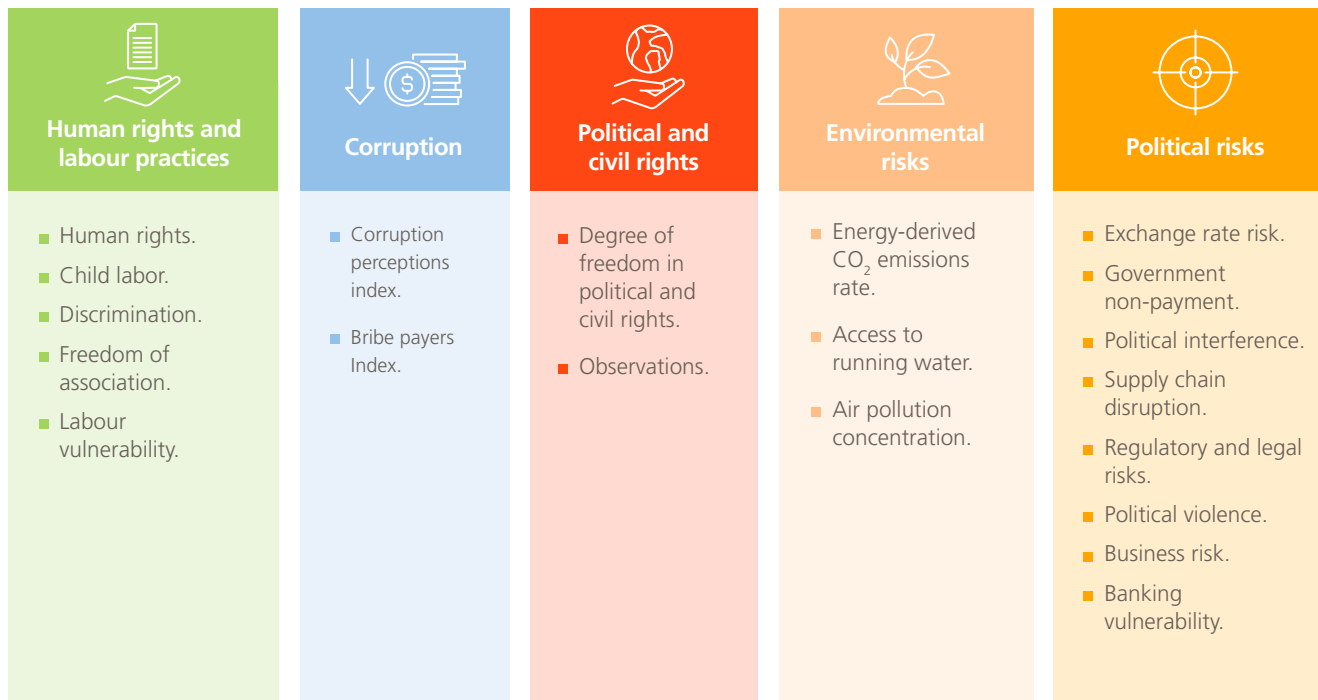
may imply a greater **reputational risk**. Additionally, the nature of the supply or the cost of adjudication is considered.

To determine the risk level, the company uses, among others, international indexes that include aspects such as human rights, labour practices, corruption, political and civil rights or environmental and political risks.

308-1, 308-2, 412-1, 414-2

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**.

Abengoa has created an **audit procedure** that 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. In 2019, these assessments were carried out remotely, sending a self-assessment questionnaire to suppliers and contacting them electronically to collect additional information.



Abengoa considers the possibility of stopping working with local suppliers who do not comply with internal requirements if this is not remedied. In this regard, in 2019, Abengoa has not had to stop working with any critical supplier for these reasons.

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Risk prevention in the supply chain

Abengoa's commitment to health and safety covers not only the production process, but the entire value chain. This is why the suppliers and subcontractors of certain plants and projects also receive training in health and safety matters.

Abengoa promotes the safety of the supply chain, and requires in the approval process either to have the OHSAS 18001 certification in occupational hazards or complete a specific H&S section in order to know and approve the supplier's situation in this matter.

Local suppliers

Abengoa has a firm commitment to drive collaboration with local partners, allowing the **strengthening of the local economy** and contributing to the **improvement of living standards** in the areas in which it develops its activity through the creation of direct and indirect employment.

In this regard, during 2019 the company has continued to establish its objectives around a **mostly local supply chain**, promoting preferential contracting of providers established in the areas in which the company operates. *204-1*

Item	2019	2018	2017
% Purchases from local suppliers	77.5	77.4	87.3

During 2019, the percentage of purchases from local suppliers was **77.5 %**, with the breakdown by country described below:

Country	Purchases from local suppliers (%)
Saudi Arabia	94.50
Algeria	96.82
Argentina	82.57
Brazil	100
Chile	98.06
Denmark	93.64
United Arab Emirates	99.83
Spain	71.48
United States	70.21
France	92.61
Israel	100
Italy	9.37
Kuwait	47.11
Morocco	88.87
Mexico	100
Oman	77.16
Peru	90.66
Poland	100
United Kingdom	99.96
South Africa	91.26
Turkey	82.31
Uruguay	93.37

