

# ESG and Risk management in Supply Chain



# ESG and risk management in Supply Chain

- 1 — Introduction
- 2 — Qualification and Screening
- 3 — Sourcing and Contracts
- 4 — Evaluation and Assessment



# Introduction



- 1 ESG and risk integration model defined with specialist areas**

  - In 2022, in line with our ESG Master plan objective, a project was launched to define the model of how ESG and risks were going to be included in the Supply Chain
  - All relevant areas were involved: H&S, Legal/Compliance, Security, ESG, Environment and Climate Change, IMS and Procurement
- 2 Qualification of Critical suppliers**

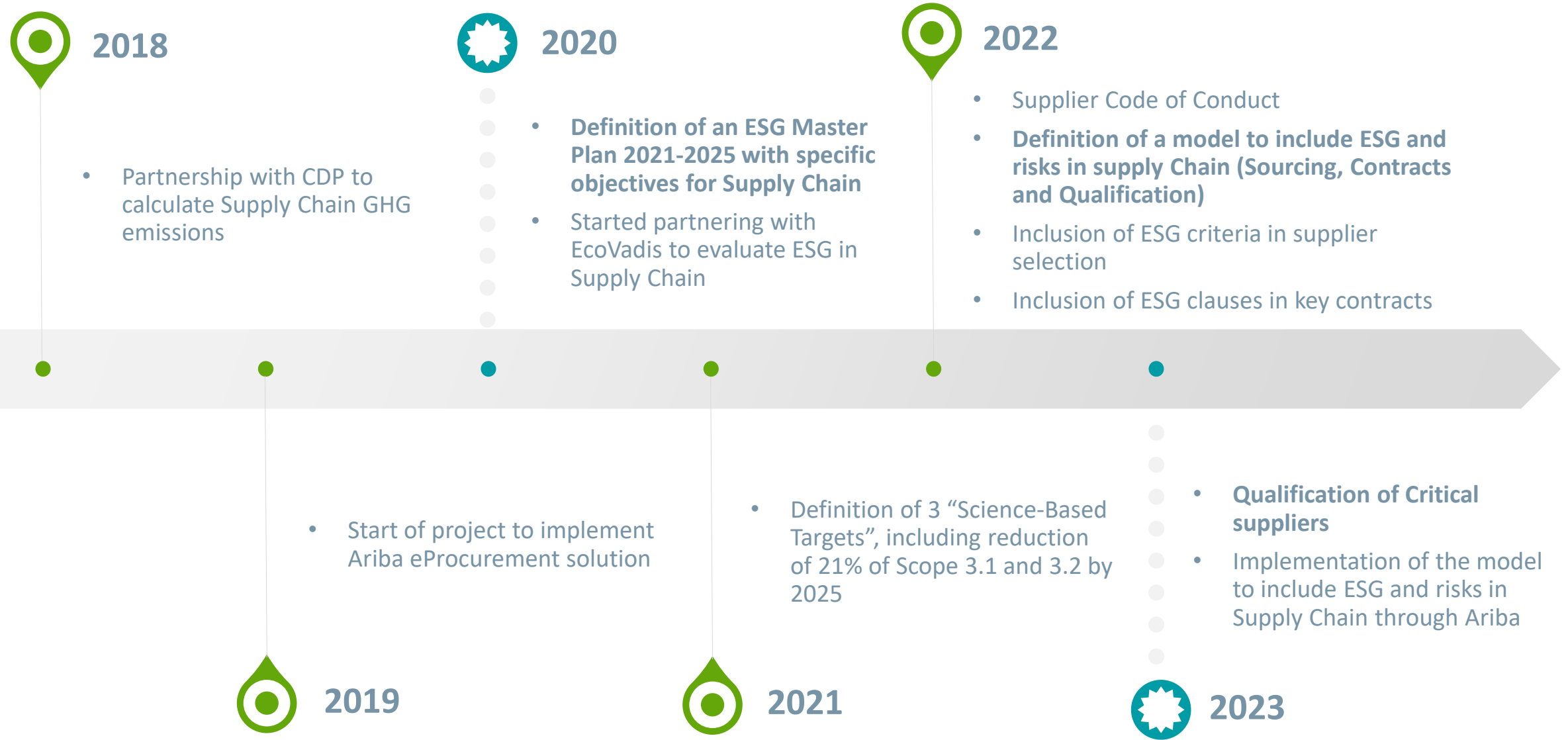
  - In 2023 the first step towards the implementation of the model was done through the Qualification of Critical suppliers
  - A Country objective was set in all the Group so that there was an alignment on the consecution of this milestone
  - As part of this Qualification, campaigns with CDP (Carbon Footprint) and Ecovadis (ESG) are in place to monitor ESG performance of our suppliers
- 3 Introduction of ESG and risks in the onboarding, Sourcing and Contracts**

  - A Risk checklist agreed with all specialist areas is included in the Onboarding (supplier specific) and in the Sourcing (service specific) processes
    - ESG criteria list has been developed and included in relevant Sourcing events. The list is used when the suppliers are not already evaluated in Ecovadis
  - Carbon footprint reduction is included in relevant key contracts (e.g. maintenance)
- 4 All processes are supported by the right tools**

  - From 2020 to 2024 the full SAP ARIBA suite has been implemented in all Business Units to support the correct implementation of these processes

# Introduction

Cellnex's Journey to Integrating ESG and risks in Supply Chain



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# Qualification

## Supplier Categorization

### Tier C (Basic) – Minimum conditions

### Tier B (Standard) – ISO standards and others

### Tier A (Critical) – Scoring and ECOVADIS

Who?

All suppliers working on a regular basis with Cellnex

All Cellnex suppliers whose annual purchase is  
=> 500.000€

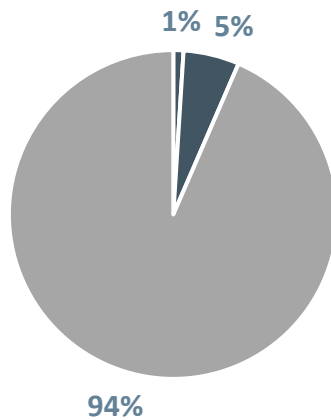
All Cellnex suppliers whose annual purchase is  
=> 5.000.000€  
And/or delivering a critical Service for business continuity

~5.800

~350

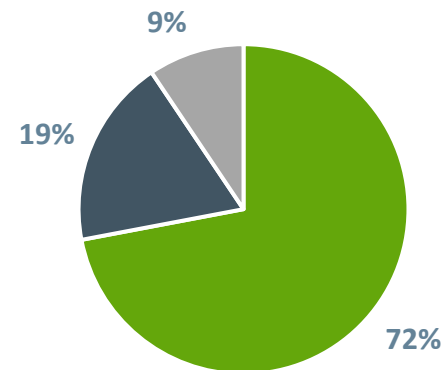
~80

Vendors distribution (size)



■ Tier A Critical (>5 M€) ■ Tier B Standard (0,5 M€ - 5 M€) ■ Tier C Basic (<0,5 M€)

Spend distribution (vendor size)



■ Tier A Critical (>5 M€) ■ Tier B Standard (0,5 M€ - 5 M€) ■ Tier C Basic (<0,5 M€)

# Qualification

## Supplier Categorization

### Tier C (Basic) – Minimum conditions

### Tier B (Standard) – ISO standards and others

### Tier A (Critical) – Scoring and ECOVADIS

|                      | Tier C (Basic) – Minimum conditions  | Tier B (Standard) – ISO standards and others               | Tier A (Critical) – Scoring and ECOVADIS   |                        |                    |               |                                   |                      |            |                 |  |           |          |        |           |           |           |           |  |  |   |
|----------------------|--|--|--|------------------------|--------------------|---------------|-----------------------------------|----------------------|------------|-----------------|--|-----------|----------|--------|-----------|-----------|-----------|-----------|--|--|---|
| Who?                 | All suppliers working on a regular basis with Cellnex  | All Cellnex suppliers whose annual purchase is => 500.000€ | All Cellnex suppliers whose annual purchase is => 5.000.000€<br>And/or delivering a critical Service for business continuity |                        |                    |               |                                   |                      |            |                 |  |           |          |        |           |           |           |           |  |  |   |
| What?                | <p>Supplier must accept...</p> <ul style="list-style-type: none"> <li>1 Code of Conduct</li> <li>2 Code of Ethics</li> <li>3 General Conditions</li> <li>4 Purchasing Policy</li> <li>5 Data Protection</li> <li>6 No sanctions by the EU</li> </ul> <p><i>* Additional: Legal documentation by country</i></p> <p>Code of Conduct</p> <table border="1"> <tr> <td>Human Rights</td> <td>Environmental policies</td> <td>Continuity of business</td> </tr> <tr> <td>Ethics &amp; Integrity</td> <td>Data security</td> <td>Working conditions &amp; remuneration</td> </tr> <tr> <td>Equality &amp; Diversity</td> <td>SST Policy</td> <td>Risk evaluation</td> </tr> </table> | Human Rights   | Environmental policies   | Continuity of business | Ethics & Integrity | Data security | Working conditions & remuneration | Equality & Diversity | SST Policy | Risk evaluation | <p>General information ...</p> <ul style="list-style-type: none"> <li>1 Certifications</li> </ul> <table border="1"> <tr> <td>ISO 14001</td> <td>ISO 9001</td> <td>SA8000</td> </tr> <tr> <td>ISO 22301</td> <td>ISO 27001</td> <td>ISO 50001</td> </tr> <tr> <td>ISO 45001</td> <td></td> <td></td> </tr> </table> <p> <span style="display: inline-block; width: 10px; height: 10px; background-color: #2c3e50; margin-right: 5px;"></span> Mandatory<br/> <span style="display: inline-block; width: 10px; height: 10px; background-color: #95a5a6; margin-right: 5px;"></span> Optional         </p> | ISO 14001 | ISO 9001 | SA8000 | ISO 22301 | ISO 27001 | ISO 50001 | ISO 45001 |  |  | <p>Execution of...</p> <ul style="list-style-type: none"> <li>1 Financial scoring</li> <li>2 ECOVADIS evaluation</li> </ul> |
| Human Rights         | Environmental policies   | Continuity of business                                     |  |                        |                    |               |                                   |                      |            |                 |  |           |          |        |           |           |           |           |  |  |   |
| Ethics & Integrity   | Data security  | Working conditions & remuneration                          |  |                        |                    |               |                                   |                      |            |                 |  |           |          |        |           |           |           |           |  |  |   |
| Equality & Diversity | SST Policy   | Risk evaluation  |  |                        |                    |               |                                   |                      |            |                 |  |           |          |        |           |           |           |           |  |  |   |
| ISO 14001            | ISO 9001   | SA8000   |  |                        |                    |               |                                   |                      |            |                 |  |           |          |        |           |           |           |           |  |  |   |
| ISO 22301            | ISO 27001  | ISO 50001  |  |                        |                    |               |                                   |                      |            |                 |  |           |          |        |           |           |           |           |  |  |   |
| ISO 45001            |  |  |  |                        |                    |               |                                   |                      |            |                 |  |           |          |        |           |           |           |           |  |  |   |

# Qualification

Specific conditions according to specific risks identified

## Additional specific risk identification in the Onboarding of suppliers

### Risks identified

### Actions taken at qualification

What?

Supplier operations in high risk areas



Identification & monitoring

Use or maintenance of Cellnex software/systems



Identification & monitoring

Cellnex data cloud services (critical service)



Self-assessment

Access or use to confidential or sensitive info



Self-assessment

Access or use to personal data



Acceptance of general template Data Protection annex

Data transfer outside EU



Adhoc actions

Access to Cellnex mail



Specific clause

Performing hazardous work



Absolute rules + Self-assessment + ISO 45001 (if >500k€)

Access to facilities



Absolute rules

Absence of international penalties



Adhoc actions

Procurement category with high CO2 impact



CDP, ECOVADIS report + Reduction Plan

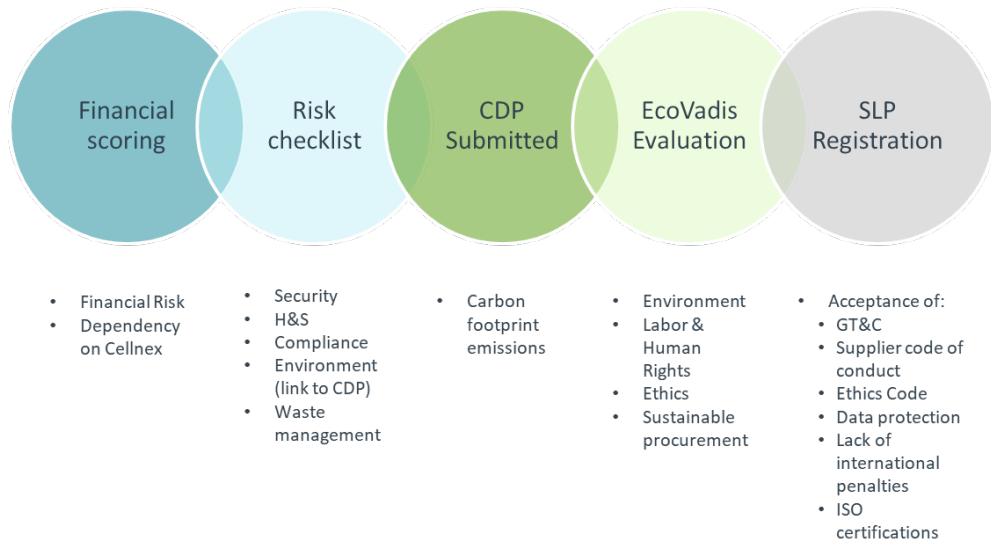


# Qualification

Results on the Qualification of Critical Suppliers conducted in 2023

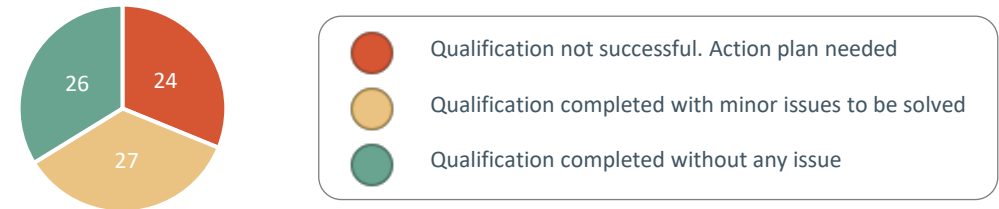
*In 2023, 77 Critical Suppliers\* have been qualified representing c.60% of 2023 Spend*

## Suppliers' Qualification process



*The results of qualification raises 24 suppliers with deficiencies to be managed*

## Suppliers' Qualification results



### Reasons for qualification not successful:

- Suppliers providing field operations without ISO 45001 (H&S)
- CDP or Ecovadis evaluations not completed

\* Critical Suppliers : Tier A + Business continuity risk suppliers

# Screening

Financial, Compliance and ESG monitoring in place through third party sources

## Suppliers are included in the screening process considering

- Environmental, Social and Governance and Business relevance, including the suppliers ensuring Cellnex business continuity
- Plus, the following risks:
  - **Country-specific risk:** the major part of Cellnex suppliers are within the EU and UK. In addition, suppliers based in High-Risk Jurisdictions\* are monitored to mitigate any possible risk, arising from the intrinsic risks of those jurisdictions.
  - **Sector-specific risk:** Cellnex approach is focused in a heightened scrutiny on construction, maintenance, and equipment sectors. Due to their significant ESG implications is a strategic move. These industries often carry substantial environmental and social risks, making rigorous supplier assessment crucial.
  - **Commodity-specific risk:** the focus on specific sectors is a prudent approach to managing commodity-related risks. There are commodities with specific risks: price fluctuations, quality concerns, supply chain disruptions or ethical sourcing. This last specific risk is considered in electronic equipment, regarding the geographical area of manufacturing.

## Suppliers screening process in some figures

- **Environmental, Social and Governance:** c.300 suppliers monitored (*Ecovadis*)
- **Financial:** c.100 suppliers monitored (*Dunn & Bradstreet*)
- **Compliance:** c.100 supplier monitored (*Catalyst*)

\* High-Risk Jurisdictions: subject to a Call for Action and Jurisdictions under Increased Monitoring listed by the FATF (Financial Action Task Force) to address strategic deficiencies in their regimes to counter money laundering, terrorist financing, and proliferation financing. (see the lists updates here: "Black and grey" lists ([fatf-gafi.org](https://www.fatf-gafi.org)))

# Screening

Capacity programs are conducted with our suppliers in collaboration with our ESG partners

During 2023 a total of 89 of our most relevant suppliers took capacitation courses through the Ecovadis Academy

20 out of our total 77 critical suppliers in 2023 took capacitation courses through the Ecovadis Academy

20 of our most relevant suppliers participated in the CDP webinar where Cellnex Environmental and Climate Change and Procurement teams explained Cellnex ambition towards Climate Change and the way a supplier can contribute to this ambition

During 2023 Cellnex procurement teams were also trained to improve their ESG skills through different sources (associations, LinkedIn Learning and Internal sessions). An approximate of 100 hours of training were carried out.

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- A Risk checklist agreed with all specialist areas is included in the Sourcing processes



- ESG criteria list has been developed and included in relevant Sourcing events. Ecovadis information is also used to measure ESG performance in Sourcing events.
- Suppliers who fail to meet the minimum requirements within a defined time frame are simply excluded from contracting
- ESG is valued in the decision with a weight between 5% and 15%

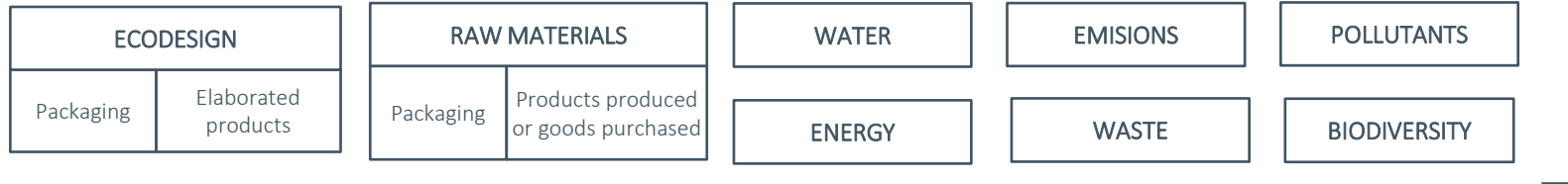


- Carbon footprint reduction is included in relevant key contracts (e.g. maintenance)



# Sourcing and Contracts

ESG criteria matrix basis



European Union



European Corporate Sustainability Reporting (CSRD)



Corporate Sustainability Due Diligence Directive (CSDDD)



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# Evaluation

Supplier's performance

## Supplier evaluations are important because they help us to:

- explicit our perception towards our Suppliers;
- ensure that our Suppliers are meeting our standards and requirements;
- identify any potential topics that could impact our business and take steps to minimize them;
- spot areas of improvement, to maximize efficiency and effectiveness

## Areas to measure:

- **Quality:** rate how our suppliers meet our quality standards and specifications
- **Cost:** size the efficiency of supplier's resources and how they affect to our bottom line
- **Delivery:** quantify the reliability and timeliness in delivering what we need as well as their ability to respond to changing demands or emergencies
- **Risk:** gauge how is the supplier's output regarding the clauses in the existing agreement
- **ESG:** weigh how is the supplier's output regarding the clauses in the existing agreement



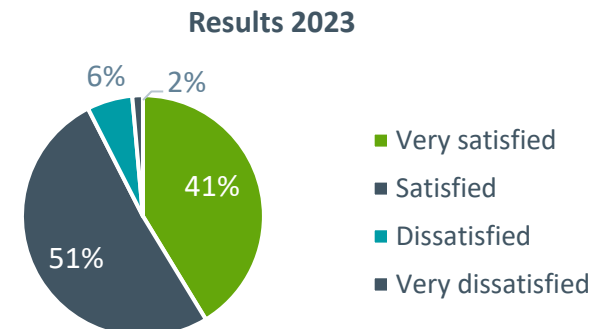
**1,425** Surveys



**371** Colleagues



**851** Suppliers



# Assessment

On site Audits are conducted

Certain key suppliers are assessed on site via audits conducted by internal or external workforce

Criteria like Quality, ESG and H&S are evaluated on site with the suppliers

In 2023, assessment were done for suppliers in Spain, Italy and United Kingdom

Approximately 15 critical suppliers were assessed during 2023 for the whole group