

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

1. Introduction



1. Introduction

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



ESG and risk management in Supply Chain

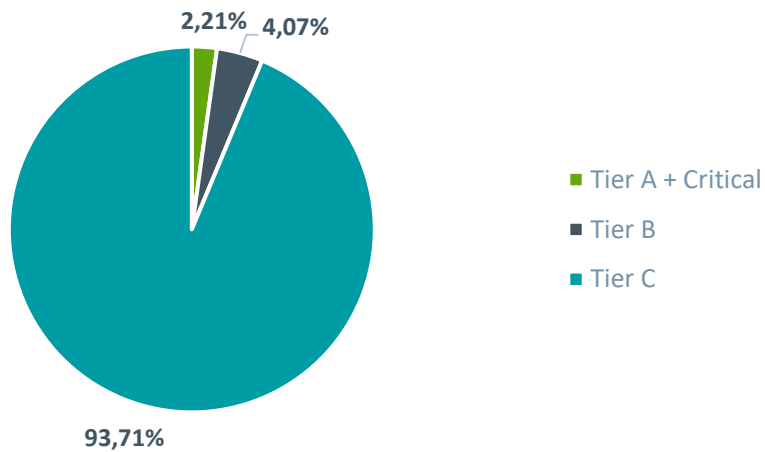
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2. Qualification

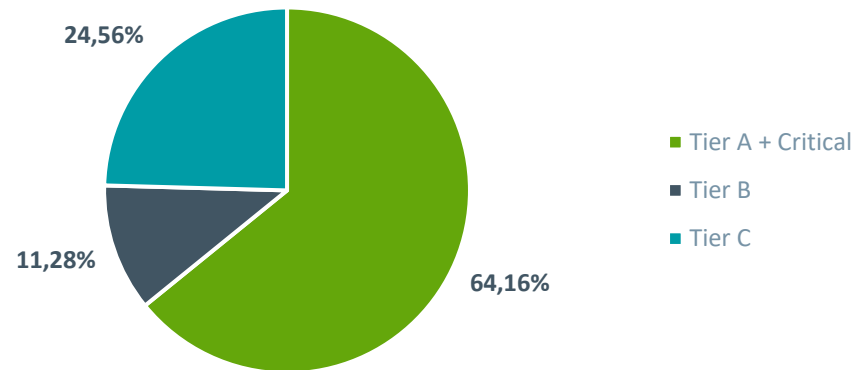
Supplier Categorization

	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
	~6084	~264	144 (46 > 5M€ + 98 <5M€ and delivering a critical service)

Distribution per # of Supplier



Distribution per Spend (€)



2. Qualification

Supplier Categorization

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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									
What?	Supplier must accept...	General information ...	Execution of...									
	<div><div>1 Code of Conduct</div><div>2 Code of Ethics</div><div>3 General Conditions</div><div>4 Purchasing Policy</div><div>5 Data Protection</div><div>6 No sanctions by the EU</div></div> <div>* Additional: Legal documentation by country</div> <div>Code of Conduct</div> <table><tr><td>Human Rights</td><td>Environmental policies</td><td>Continuity of business</td></tr><tr><td>Ethics & Integrity</td><td>Data security</td><td>Working conditions & remuneration</td></tr><tr><td>Equality & 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	<div><div>1 Certifications</div><div><div>ISO 14001</div><div>ISO 22301</div><div>ISO 45001</div><div>ISO 9001</div><div>ISO 27001</div><div>SA8000</div><div>ISO 50001</div></div></div> <div><div>Mandatory</div><div>Optional</div></div>	<div><div>1 Financial scoring</div><div>2 ESG evaluation</div></div>
	Human Rights	Environmental policies	Continuity of business									
Ethics & Integrity	Data security	Working conditions & remuneration										
Equality & Diversity	SST Policy	Risk evaluation										

Mandatory

Optional

2. Qualification

Specific conditions according to the specific risks identified

Identify Specific Risks During Supplier Onboarding

Which risks?

- ☑ Supplier operations in high risk areas
- ☑ Use or maintenance of Cellnex software/systems
- ☑ Cellnex data cloud services (critical service)
- ☑ Access or use to confidential or sensitive info
- ☑ Access or use to personal data
- ☑ Data transfer outside EU
- ☑ Access to Cellnex mail
- ☑ Performing hazardous work
- ☑ Access to facilities
- ☑ Absence of international penalties
- ☑ Procurement category with high CO2 impact



2. Qualification

Results on the Critical Suppliers Qualification

Suppliers' Qualification process

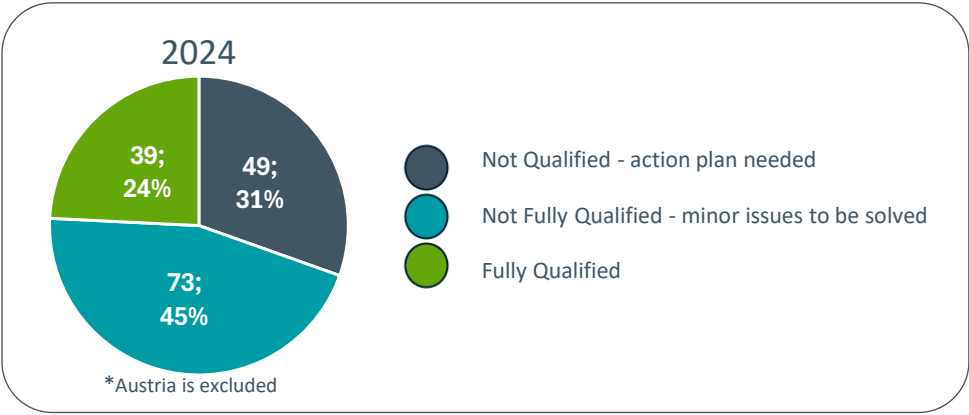


Reasons for qualification not successful:

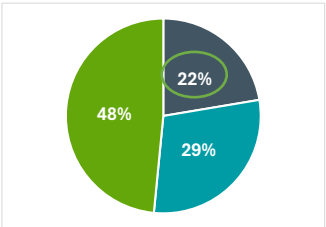
- **Security risk:** Suppliers providing field operations without ISO 45001 (H&S)
- **Reputation risk:** CDP or Ecovadis evaluations not completed

For suppliers who do not meet the qualification criteria, alternative options are available. An action plan is proposed to help these suppliers achieve qualification within the year.

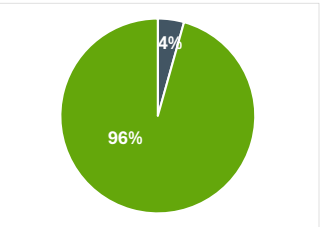
Suppliers' Qualification results



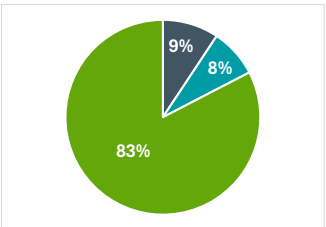
ISO 45001



CDP Campaign



ECOVADIS Campaign



2. Screening

ESG, Financial and Compliance monitoring is in place through 3rd party platforms

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:** most Cellnex suppliers are in the EU and UK. Suppliers in high-risk jurisdictions are monitored to mitigate potential risks.
 - **Sector-specific risk:** focus on construction, maintenance, and equipment sectors due to their significant ESG implications. These industries carry substantial environmental and social risks, making rigorous supplier assessment crucial.
 - **Commodity-specific risk:** managing risks related to commodities like price fluctuations, quality concerns, supply chain disruptions, and ethical sourcing, especially in electronic equipment manufacturing.

Suppliers screening process in some figures

- **ESG:** 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)))

2. Screening

Training is conducted with our suppliers in collaboration with our ESG partners

In 2024, **131** key suppliers completed training courses through the Ecovadis Academy

45 of our 144 critical suppliers completed training courses through the Ecovadis Academy, more than doubling last year's participation.

31 key suppliers attended the CDP webinar where Cellnex's Environmental, Climate Change, and Procurement teams outlined their climate goals and how suppliers can support these efforts.

In 2024, Cellnex procurement teams continue their ESG skills through various training sources, including associations, LinkedIn Learning, and internal sessions. Around **100** hours of training were completed.

2. Screening

Capacity Building Program: Sustainable Suppliers



Cellnex's Commitment to Sustainability

- **First-Time Participation:** Cellnex is proud to join the Training Program: Sustainable Suppliers. Developed with UN Global Compact Spain and UK networks, ICEX Spain Export and Investments, and the ICO Foundation.
- **Program Focus:** Enhancing corporate sustainability through the Ten Principles of the UN Global Compact, the Sustainable Development Goals (SDGs), and overall corporate sustainability.

Participation and Impact

- **Global Reach:** 5,200 SMEs from 72 countries will receive training.
- **Cellnex Outreach:** 609 suppliers from 17 countries invited; 115 suppliers from 11 countries registered (20% success rate).
- **Internal Participation:** 10 colleagues from 6 countries registered to reinforce sustainability practices.

Cellnex Outreach: Industry and Geographic Distribution

- **Top 1:** Telecommunications and IT: 66%
- **Top 2:** Construction and Engineering: 13%
- **Top 3:** Professional Services: 9%
- **Geographic Distribution:** EU: 99%; Asia: 1%

Ongoing Efforts and Future Plans

- **Current Progress:** Participants engaged in the third module.
- **Future Plans:** Gather feedback to refine and improve initiatives for the coming year.
- **Commitment:** Cellnex is dedicated to fostering sustainability within our supply chain.

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3. Sourcing and Contracts



A Risk checklist agreed with all specialist areas is included in the Sourcing process.



ESG criteria has been created in what we call the *ESG matrix*. The matrix is included in relevant Sourcing events to measure suppliers' ESG performance.

Suppliers who fail to meet the minimum requirements within a defined time frame are 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. construction, equipment or maintenance)

3. Sourcing and Contracts

ESG matrix principles



ECODESIGN	
Packaging	Elaborated products

RAW MATERIALS	
Packaging	Products produced or goods purchased

WATER
ENERGY

EMISSIONS
WASTE

POLLUTANTS
BIODIVERSITY



European Union



LABOR CONDITIONS

HUMAN RIGHTS



ETHICS AND COMPLIANCE

European Corporate Sustainability Reporting (CSRD)



Corporate Sustainability Due Diligence Directive (CSDDD)



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4. Evaluation

Suppliers’ performance evaluation

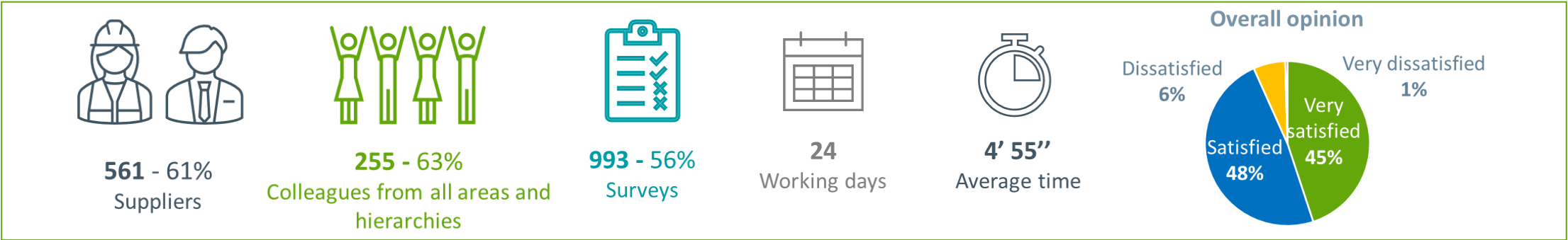
Why are they important to us?

- 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

What do we 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 mgmt:** gauge how is the supplier’s output regarding the clauses in the existing agreement
- **ESG mgmt:** weigh how is the supplier’s output regarding the clauses in the existing agreement
- **Overall:** rate alternative aspects like relationship quality, problem-solving capability, and responsiveness to issues

Results 2024



Assessment

On site Audits are conducted

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

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

In 2024, we conducted audits of critical suppliers for Italy (3) and United Kingdom (7) business units

10 critical suppliers have been assessed in 2024

Cellnex is considering joining the Joint Alliance for Corporate Social Responsibility (JAC) to contribute to the shared audits and improve oversight increase oversight of our suppliers' practices.

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Thank you