

# 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

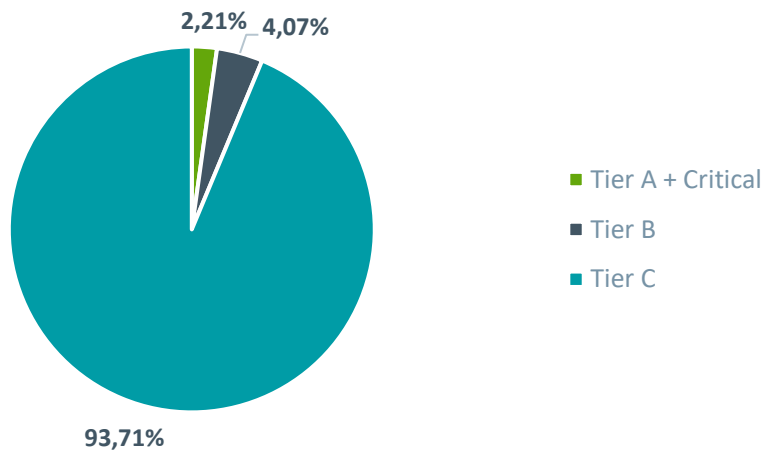
- 1 — Introduction
- 2 — **Qualification and Screening**
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# 2. Qualification

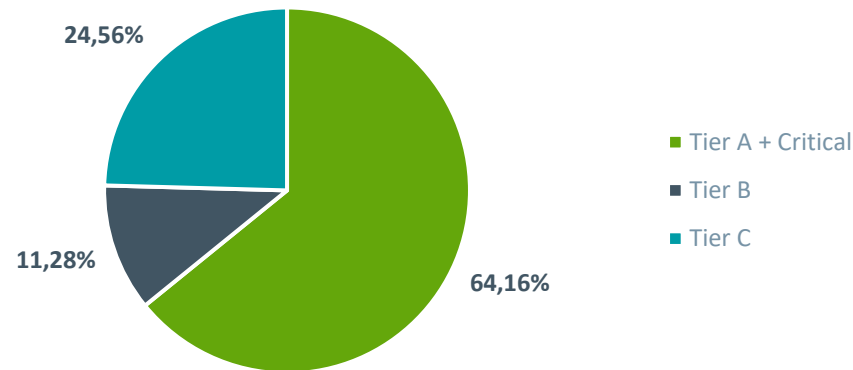
## Supplier Categorization

	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 (€)



(\*) All suppliers classified as Tier A, B, C are Tier-1

# 2. Qualification

## Supplier Categorization

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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>1 Certifications</div> <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>1 Financial scoring</div> <div>2 ESG evaluation</div>
	<div>Code of Conduct</div> <div><div><div>Human Rights</div><div>Ethics &amp; Integrity</div><div>Equality &amp; Diversity</div><div>Environmental policies</div><div>Data security</div><div>SST Policy</div><div>Continuity of business</div><div>Working conditions &amp; remuneration</div><div>Risk evaluation</div></div></div>	<div><div>Mandatory</div><div>Optional</div></div>	

## 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

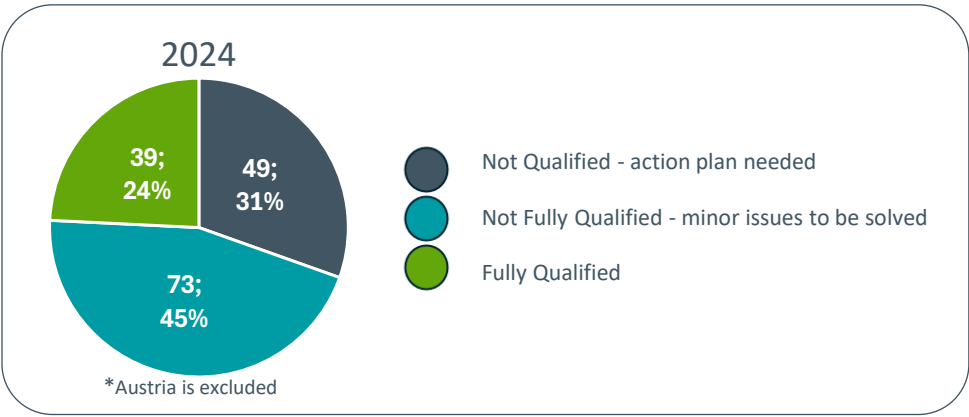


### Reasons for qualification not successful:

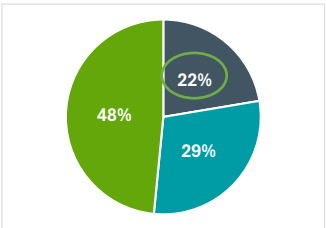
- **Security risk:** Suppliers providing field operations without ISO 45001 (H&S)
- **Reputation risk:** CDP or Ecovadis evaluations not completed

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.

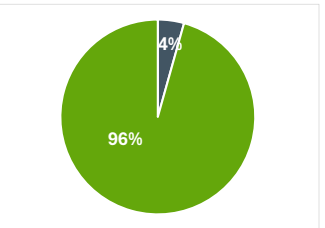
## Suppliers' Qualification results



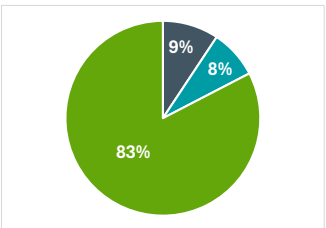
### ISO 45001



### 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))

## 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.

## 2. Screening

### Indicators overview

		FY 2024
Supplier Screening	Total number of Tier-1 suppliers	6,500
	Total number of significant suppliers in Tier-1	144
	% of total spend on significant suppliers in Tier-1	65%
	Total number of significant suppliers in non Tier-1	0
	Total number of significant suppliers (Tier-1 and non Tier-1)	144
Supplier Assessment	Total number of suppliers assessed via desk assessments/on-site assessments <sup>1</sup>	329
	% of unique significant suppliers assessed	100%
	Number of suppliers assessed with substantial actual/potential negative impacts <sup>2</sup>	32
	% of suppliers with substantial actual/potential negative impacts with agreed corrective action/improvement plan	100%
	Number of suppliers with substantial actual/potential negative impacts that were terminated	0
Corrective action plan support	Total number of suppliers supported in corrective action plan implementation <sup>3</sup>	5
	% of suppliers assessed with substantial actual/potential negative impacts supported in corrective action plan implementation	100%

1. Suppliers evaluated in environment
2. Suppliers evaluated in environment with potential negative impacts
3. Suppliers evaluated in environment with potential negative impacts with an environment score in Ecovadis:  $\leq 30$  and being a medium or big-sized businesses



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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.

ESG is valued in the decision with a weight between **5% and 15%**.

Suppliers who fail to meet the minimum requirements (based on ESG, technical, economical criteria) within a defined time frame are excluded from contracting.



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
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HUMAN RIGHTS
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ETHICS AND COMPLIANCE
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European Corporate Sustainability Reporting (CSRD)



Corporate Sustainability Due Diligence Directive (CSDDD)



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# 4. Evaluation

Suppliers’ performance evaluation

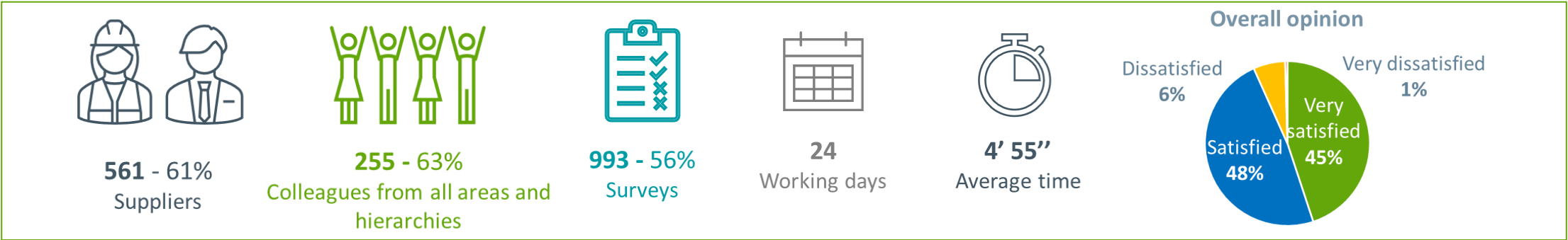
## Why are they important to us?

- 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





## 4. 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*