

SUSTAINABLE PROCUREMENT : CSR KPI

Introduction

ENGIE's purpose ("raison d'être") is to act to accelerate the transition towards a carbon-neutral economy, through reduced energy consumption and more environmentally-friendly solutions. The purpose brings together the company, its employees, its clients and its shareholders, and reconciles economic performance with a positive impact on people and the planet. ENGIE's actions are assessed in their entirety and over time.

Procurement, sustainable by design !

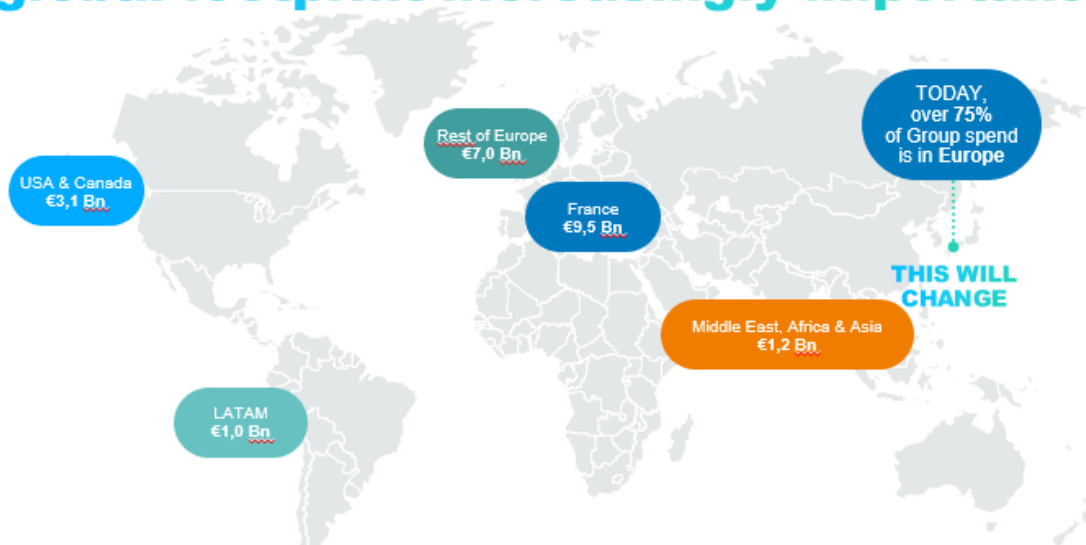
Understanding and quantifying what really matters in the value chain is a key component of the Group's strategy.

With an addressable spend of 21,8 billion euros in 2019*, of which 75% in Europe. ENGIE Develop and maintain sustainable performance with ~140 000 active suppliers (90% European).

(* except energy)

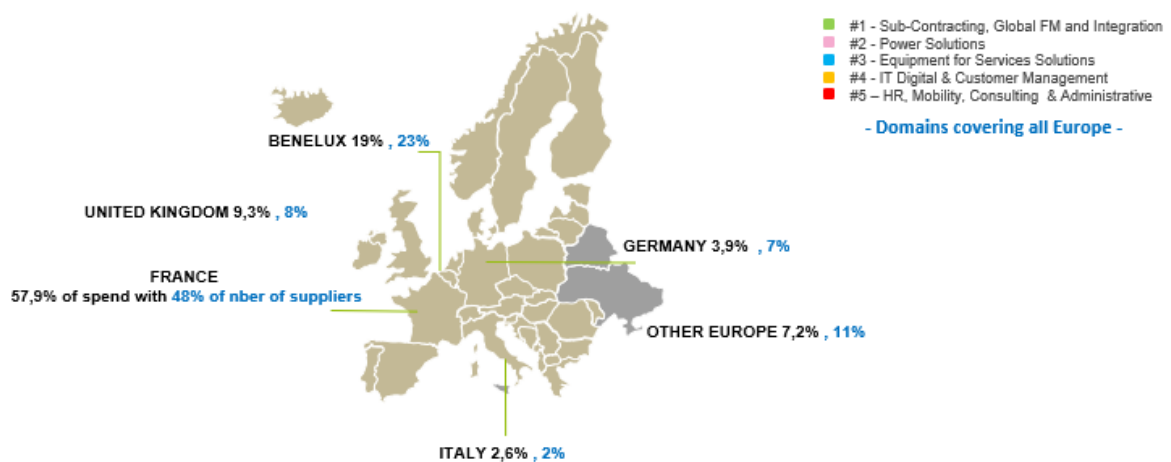
1. PROCUREMENT AT ENGIE – KEY FIGURES (2019)

A global footprint increasingly important





Procurement spend without energy in Europe over 16bn€



Group Procurement Opt - 2019 Figures excluding Intereco / M3 SMART 04 2019

A large range of purchase categories & supplier base

Small parts to turnkey systems – Services (engineering, studies, IT & digital...)



Group Procurement Opt - 2019 Figures excluding Intereco / M3 SMART 04 2019

* Signify formerly named Philips Lighting



2. ENGAGING WITH SUPPLIERS FOR A SUSTAINABLE BUSINESS

Our Group is a global reference in low-carbon energy and services. Procurement aim to obtain the optimal contribution of suppliers to the results and ambition of ENGIE to become the world leader in the zero carbon transition "as a service" for our customers, in particular global companies and local authorities.

- negotiating the best economic and operational conditions with suppliers,
- mastering the contractual risks, including those related to Health, Safety, Ethics and Environment,
- capturing opportunities for value creation through innovations in supplier markets.

Intrinsically Procurement Department, suppliers and subcontractors are essential stakeholders in the Group value chain.

To achieve this mission, the Procurement Department relies on :

- a Management System « sustainable by design »,
- an organization driven by the procurement category management and reinforced by a matrix organization in Business Units,
- a continuous procurement training program,
- a supplier assessment carried out by a partner : EcoVadis,

The procurement is a lead actor of the Vigilance Plan together with the Ethics, Compliance & Privacy Department, the Global Care Department and the Corporate Social Responsibility Department.

In line with ENGIE's ambitions for 2025-2030, the Procurement Department has set 4 CSR objectives fueling the Group 2040 targets:

- Decarbonation of the main suppliers,
- Suppliers CSR evaluation,
- Terms of payment to be in top 5 of CAC 40 best payers,
- Foster Inclusive Procurement

3. A MANAGEMENT SYSTEM SERVING CSR OBJECTIVES

To achieve its objectives, the procurement Department has deployed a robust management system compliant with legal requirements that is transcribed in two governing documents:

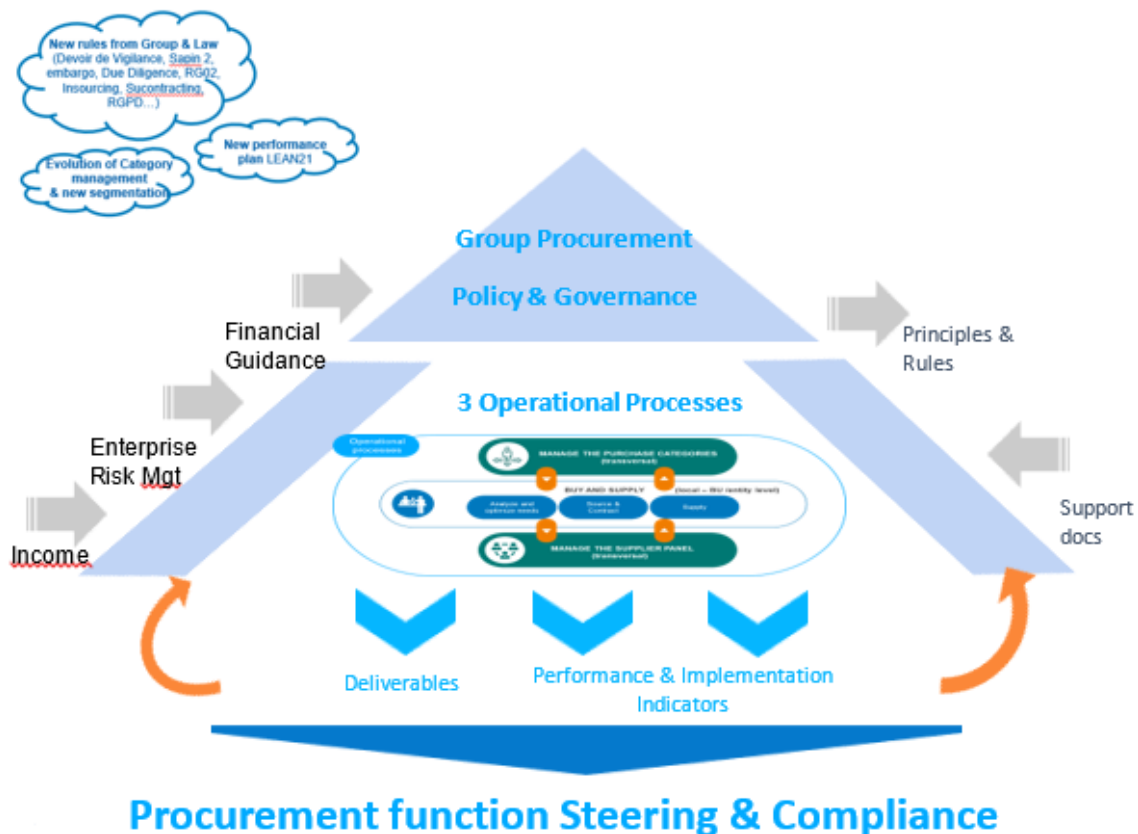
3.1. The Procurement Policy an external document for suppliers, sustainable by design as it sets out ENGIE's commitments and requirements in the following areas :

- Compliance with health and safety : Suppliers shall demonstrate their compliance with these requirements
- Social responsibility, business ethics, embargoes and anticorruption: Suppliers' commitment to ethical business conduct Policy
- Sustainable Development: to ensure competitive bids and sustainable, innovative solutions



3.2. **The Procurement Governance** : an internal document that defines the Group-wide principles governing external expenditure and sets out practical operating rules for the Procurement Department. Its purpose is also to guaranty the segregation of duty and the cooperation between buyers and specifiers to get the best offer combining price, quality, innovation and sustainability. The principles set out in these two reference documents are translated into 3 operational processes :

- Manage Supplier Panel,
- Manage Purchase Category,
- Buy & Supply (Including the steps : “Manage the Need”, “Source to contract” and “Procure to Pay”)



The procurement referential is compliant with other ENGIE Group requirements:

- The Ethics & Compliance Charter,
- The Corporate Social Responsibility Policy,
- The Health & Safety Policy,
- The Code of Conduct in the Supplier Relationship,
- The Due Diligence Policy Direct Suppliers and Subcontractors,



4. A PROCUREMENT ORGANIZATION DEDICATED TO CSR OBJECTIVES

The CSR approach is fully implemented by the Procurement Department through its matrix organization.

1.1. A Category Management organization focusing on a limited portfolio of categories:

- those considered strategic across the Group and for which a global management system is set up by the Group Procurement Department ([Group managed categories](#)),
- those for which the Business Unit / entities are best positioned by their activity and their proximity to the supplier market, and ensure local control while developing between them the appropriate modes of collaboration ([Business Unit managed categories](#)).

1.2. A procurement organization in each BU reporting to the Group Procurement Department:

- BU Chief Procurement Officers (CPO) report Departmentally to the Group Procurement Director.
- BU CPOs are empowered within their BU to contract all external commitments with suppliers, and to take all decisions regarding resources and the purchase budget in accordance with delegations of authority.

5. A TRAINING PROGRAM FOCUSING ON CSR THEMES

Since 2013, a continuous and progressive training program is a key success factor for an efficient implementation. This program is led by the Group Procurement Department. In Business Units, the CPO is accountable for deploying the training program.

CSR is addressed in various trainings covering related themes : Environment, Human rights, ethics and sustainable procurement.

In 2019 and 2020, a special effort has been put on the due diligence trainings and Ethics and Supplier relation trainings. These two presential training sessions complete an online ethics training program aiming to train more than 1300 employees across ENGIE Group.

In 2020, 100% of procurement employees are expected to follow online Ethics training program sessions addressing 3 themes:

- Fraud and Corruption,
- Zero Tolerance Our Group,
- Our Ethics Competition Law.

ENGIE training program is followed up on a quarterly basis.

Moreover procurement management meetings include sessions designed to raise awareness of CSR issues, and meetings are also organized with those specifiers and operations staff involved in the procurement process.



This training scheme provides a powerful lever to upskilling and facilitating transformational change in procurement.

6. SUPPLIERS CSR ASSESSMENT

The partnership launched in late 2018 with an external provider (ECOVADIS) was extended in 2019 to assess the CSR impact of the Group's 250 preferred suppliers* in four themes (Environment, Work and Human Rights, Ethics and Sustainable Purchasing). In June 2019, the CSR assessment of suppliers was extended to the Major Suppliers** of the BUs to cover a panel of around 1,400 existing suppliers in nearly 70 countries and representing a significant portion of expenditure.

To date (May 2020), the overall score of assessed suppliers is 55,2/100 which is good according EcoVadis' referential. Over 45/100, EcoVadis considers that the supplier is engaged in major CSR topics, therefore risks are limited. The Supplier embraces continuous performance improvements on CSR and should be considered for a long-term business Relationship

The progress the evaluation is both monitored through ECOVADIS' platform and internally by the Group Procurement Department.

** Preferred Suppliers are subject to a Group procurement policy and managed by category Managers at Group Level.*

*** Major suppliers are the main suppliers to the BU and managed by the BU.*

6.1. EcoVadis methodology

EcoVadis is a CSR specialist, that has developed a methodology for assessing company CSR engagement against 21 CSR criteria and analyses multiple data sources by CSR experts.

ENVIRONMENT	LABOR & HUMAN RIGHTS	ETHICS	SUSTAINABLE PROCUREMENT
Policies - Actions - Results			
<ul style="list-style-type: none">• Energy Consumption & GHGs• Water• Biodiversity• Local & Accidental Pollution• Materials, Chemicals, & Waste• Product Use• Product End-of-Life• Customer Health & Safety• Environmental Services & Advocacy	<ul style="list-style-type: none">• Employee Health & Safety• Working Conditions• Social Dialogue• Career Management & Training• Child Labor, Forced Labor & Human Trafficking• Diversity, Discrimination & Harassment• External Stakeholder Human Rights	<ul style="list-style-type: none">• Corruption• Anticompetitive Practices• Responsible Information Management	<ul style="list-style-type: none">• Supplier Environmental Practices• Supplier Social Practices

Suppliers are assessed on a scale numerically represented as scales from 0-100 (0-24=Insufficient, 25-44=Partial, 45-64=Moderate, 65-84=Advanced, 85-100=Outstanding)



6.2. ENGIE's CSR requirements toward preferred and major suppliers

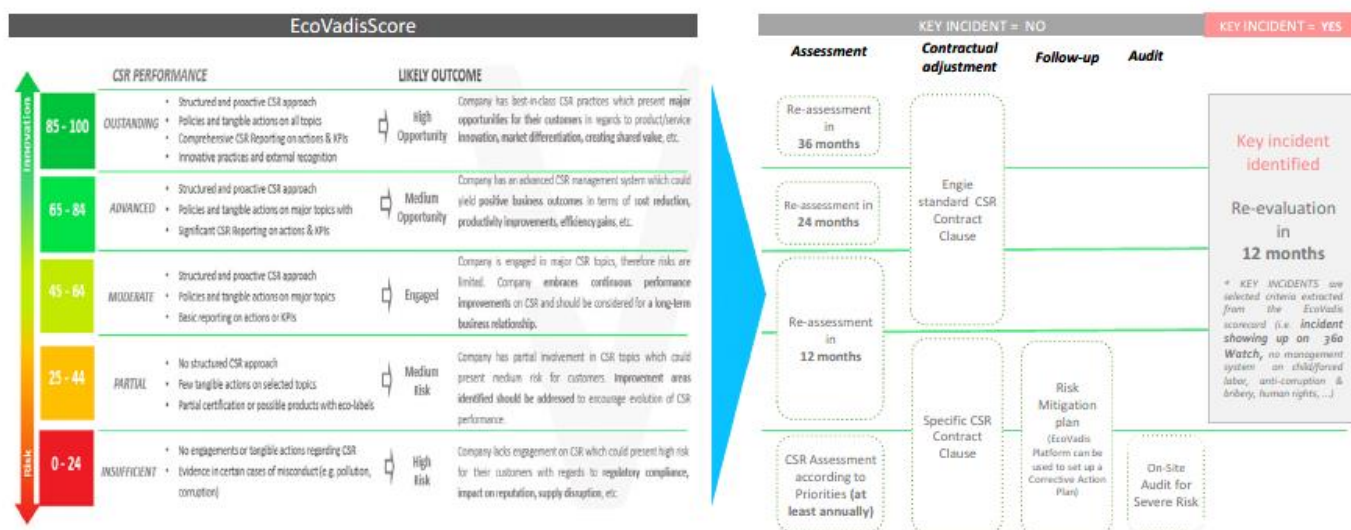
The assessment of the Group's new preferred and major suppliers is automatically implemented during the tender phase, the Group can carry out the pre-requisite full due diligence procedure before contract signature

A minimum score of 45 has been set to guarantee the compliance with the regulation and master the CSR risks. Furthermore, these suppliers shall be reassessed every year to ensure a close follow-up and a correction action plan is set and monitored over the contract duration.

A CSR evaluation is required on a yearly basis for suppliers until their score is above 65. However, in case of key incident occurrence, the suppliers having a score above this threshold will be instructed to be reassessed by EcoVadis within 12 months.

The matrix below sets out the supplier risk management against EcoVadis scoring.

SUPPLIER RISK MANAGEMENT BASED ON SUPPLIER SCORECARD

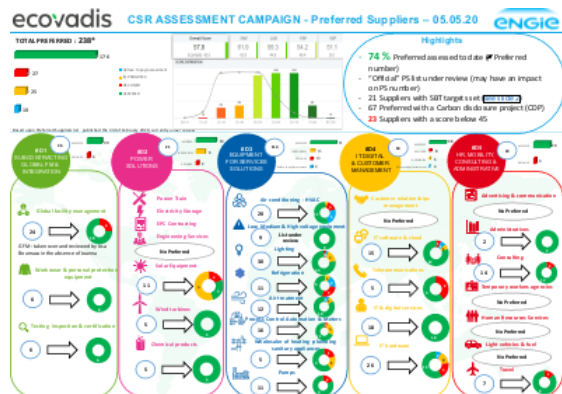


Other criteria to reinforce Risk Management depending on Spend threshold or negative feedback about supplier

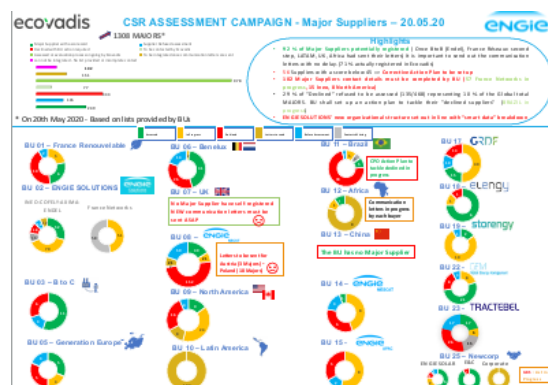


6.3. Suppliers CSR assessment follow up

The progress is followed-up on a bi-weekly basis through two dashboards since the beginning of the CSR assessment campaign starting at the end of 2018 for Preferred Suppliers and September 2019 for the Major Suppliers.



250 Preferred Suppliers



circa 1400 Major Suppliers in 25 Business Units

6.4. Risk mapping and Country risk assessment

Alongside the assessment of the suppliers, the partner ECOVADIS created a risk map covering all of the Group's purchasing categories. This risk mapping confirmed that four purchasing categories were high risk. This risk matrix, together with a set of recommendations, enables selection criteria and means of limiting risks to be defined for new suppliers.



7. CSR PROCUREMENT OBJECTIVES

In line with ENGIE's CSR ambitions for 2025-2030, the Group Procurement Department has set 4 objectives measured through 4 KPIs :

Objectives	KPIs
1 - Decarbonation of the main suppliers	100 %Preferred Suppliers with SBT* Target set
2 – Suppliers CSR evaluation	100 % Preferred and Major** Suppliers with ECOVADIS rating above the "controlled CSR risk" level
3 -Terms of payment	ENGIE's ranking among the top 5 CAC 40 best payers (DGCCRF assessment)
4 - Inclusive Procurement	ENGIE is in the Top 5 of GT3*** in terms of share of inclusive procurement(France)

**SBT : Science Based Target*

*** Preferred Suppliers are subject to a Group procurement policy and managed by category Managers at Group Level. Major suppliers are the main suppliers to the BUs.*

**** GT3 is a working group made up of French companies (BnpParibas, Accor, Crédit Agricole, Danone, L'Oréal, Orange, EDF, Renault, AXA, Schneider Electric, etc.).*

Status and Achievement by the end of 2019

1 - Decarbonation of the main suppliers

- **12 Preferred Suppliers with SBT Target set**
- **10 Preferred Suppliers SBT Committed**



2 – Suppliers CSR evaluation



3 -Terms of payment

2019 vs 2018 : -35% of overdue invoices (French perimeter)

To meet this target, some actions have been launched :

- All French entities report the payment delay status
- An action Plan is set up for BU with a high level of payment delay
- A new program has been launched by the Group in 2019 to standardize and optimize the Procurement Process within BU reducing the payment delay.

4 - Inclusive Procurement

The measurement of this new KPI is to be set up by the end of the year.

It will be broken down in 3 type of spend:

- SME
- Suppliers employing disable people
- Suppliers located in disadvantaged area



About ENGIE

Our group is a global reference in low-carbon energy and services. In response to the urgency of climate change, our ambition is to become the world leader in the zero carbon transition "as a service" for our customers, in particular global companies and local authorities. We rely on our key activities (renewable energy, gas, services) to offer competitive turnkey solutions.

With our 170,000 employees, our customers, partners and stakeholders, we are a community of Imaginative Builders, committed every day to more harmonious progress.

Turnover in 2019: 60.1 billion Euros. The Group is listed on the Paris and Brussels stock exchanges (ENGI) and is represented in the main financial indices (CAC 40, DJ Euro Stoxx 50, Euronext 100, FTSE Eurotop 100, MSCI Europe) and non-financial indices (DJSI World, DJSI Europe and Euronext Vigeo Eiris - World 120, Eurozone 120, Europe 120, France 20, CAC 40 Governance).

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