



May 2021

# 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, a pillar of ENGIE's Vigilance Plan

In accordance with the provisions of the Sapin II law and the law relating to the duty of vigilance of parent companies, ENGIE Group Procurement Department has implemented processes and tools to prevent risks to its subcontractors and suppliers, in France and abroad. Actions and documents underpinning the Group Vigilance Plan are highlighted in this document with the following logo : 

## 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 21,1 billion euros in 2020\*, of which 75% in Europe. ENGIE Develop and maintain sustainable performance with ~140 000 active suppliers (90% European).

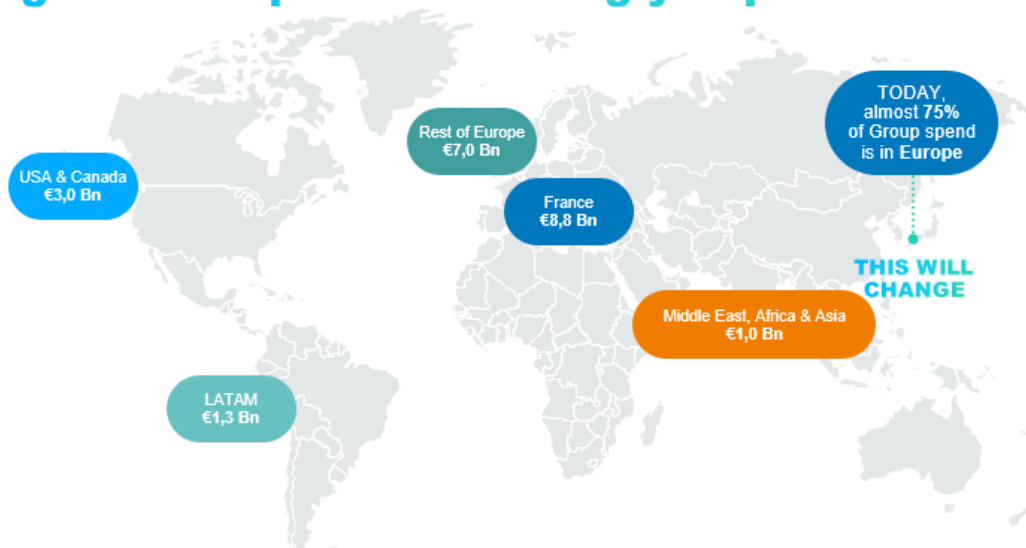
(\* except energy)

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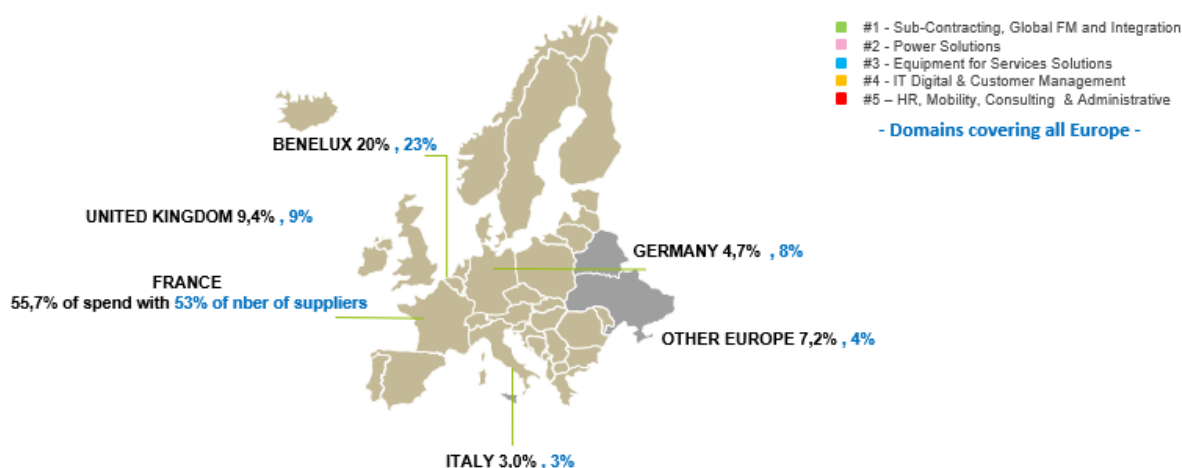


## 1. PROCUREMENT AT ENGIE – KEY FIGURES (2020)

### A global footprint increasingly important



### Procurement spend without energy in Europe almost 16bn€



Group Procurement Dept - 2020 Figures excluding Intracorp / M2 SMART Q4 2020



## A large range of purchase categories & supplier base

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



Group Procurement Dept – 2020 Figures excluding Intereco / M2 SMART Q4 2020

## 2. ENGAGING WITH SUPPLIERS FOR A SUSTAINABLE BUSINESS

ENGIE is a European and world leader in low-carbon electricity production, centralized and decentralized energy networks, and associated services.

Suppliers and subcontractors represent key stakeholders in the Group's value chain. The Group's Purchasing function has defined a clear vision organized around the following goals:

- to contribute to the Group's operational performance by putting forward a panel of competitive and differentiated suppliers to the operational teams;
- to uphold the Group's commitments to its suppliers;
- to contribute to the Group's CSR approach and carbon neutrality;
- to develop key talent and expertise within the Purchasing sector and promote Purchasing within the Group's career paths.

To achieve this ambition, 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 CSR assessment carried out by a partner : EcoVadis,

The Procurement function is helping the Group to achieve its 2030 goals through a sustainable purchasing process driven by actions with equipment suppliers in all business segments. In 2020, the



Group Purchasing Department set three CSR goals, which will later be rolled out throughout its management system:

Objective title	Criterion	2025 Objective	2030 Objective
Decarbonization of the main suppliers	250 preferred suppliers aligned with or certified by the SBT	25%	100%
CSR assessment of suppliers	Share of preferred and major suppliers with an ECOVADIS rating higher than the "managed CSR risk" level	70%	100%
Promotion of inclusive purchasing	Share of inclusive purchasing in line with GT3 recommendations	60%	100%

The group is also taking actions to reduce payment delays by rolling out "Purchase to Pay" initiatives in BU/entities and ensuring regular monitoring.

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.

### 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:

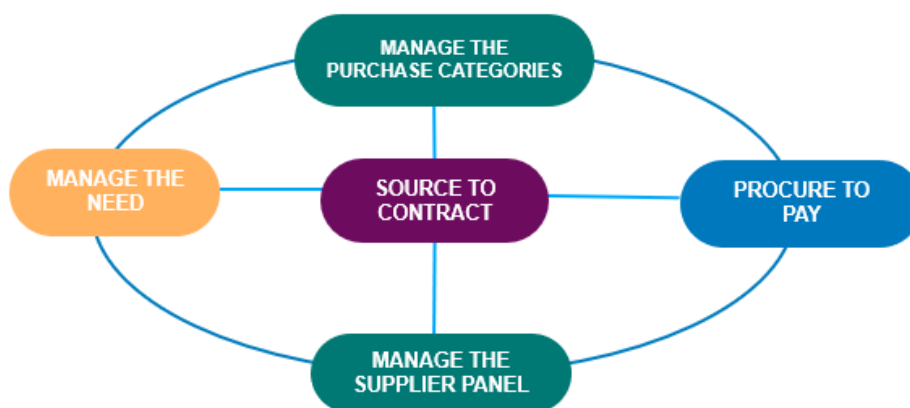
3.1 A Group Procurement Policy (Commitment and Risk management) : this public document, which is shared with suppliers, expresses ENGIE's involvement. In particular, it specifies the Group's requirements in terms of:

- the suppliers' health and safety commitments,
- a commitment from suppliers to engage in ethical business relationships and take into account social responsibility, ethics, embargoes and anti-corruption,
- the search for competitive bids and sustainable and innovative solutions;

3.2 A Procurement Governance: document defining Group-wide principles for the management of external expenditure and setting out the operating rules for Purchasing. It aims to reinforce the separation of tasks between buyers and purchasing advisers, while encouraging their cooperation when selecting the best offerings.



The requirements of these two documents, as well as the Group's more general requirements, are set out in the operational processes.



These processes cover the management of purchasing categories and supplier panels as well as the stages of purchasing and procurement. They are compliant with ENGIE Group requirements :

- the Ethics Charter,
- the Corporate Social Responsibility Policy Global Care,
- the Code of Conduct for Relations with Suppliers,
- the Due Diligence Policy for Direct Suppliers and Subcontractors.

These requirements must apply throughout the whole supply chain and are incorporated in the standard Ethics and CSR clause that must be found in all ENGIE's contracts. As per this clause listing obligations related to human rights, environment, bribery, embargo... "The Supplier shall comply with, and shall ensure compliance by its own suppliers and subcontractors as well as by any third party involved in such work or services, with the requirements set out in paragraph two above."

### 3.3 Monitoring the deployment

The proper implementation of these processes is verified via the INCOME internal control program. With 27 different controls, the INCOME PRO reference system covers all purchasing processes.

## 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**

The achievement of the Procurement Department ambitious goals is supported by a progressive program of ongoing training that began in 2013 within the Purchasing function and the Business Units.

In 2020, the training plan focused on:

- the due diligence policy of suppliers and subcontractors;
- ethics and supplier relations (more than 750 people trained over the year).

In addition, Procurement employees were 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.

Furthermore, these CSR topics are regularly included in the management routines of the Procurement function, and in meetings organized with procurement advisers and operational staff involved in the Procurement process.

## **6. SUPPLIERS CSR ASSESSMENT**

Since the end of 2018, the Group Procurement Department has entrusted an external provider (ECOVADIS) the CSR assessment of the Group's main suppliers\* over four themes (Environment, Work and Human Rights, Ethics and Sustainable Purchasing). This panel of circa 1600 suppliers is spread over nearly 70 countries and represent a significative part of the Global Spend.

To date (May 2021), the overall score of assessed suppliers is 54,3/100 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 of the evaluation is both monitored through ECOVADIS' platform and internally by the Group Procurement Department.

*\*The Group main suppliers panel is made up of 250 Preferred Suppliers subject to a Group procurement policy and managed by category Managers at Group Level and 1350 Major suppliers who the BU main suppliers and managed locally.*

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

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. Specific requirements for Preferred and Major Suppliers

In compliance with the operational process "Source to Contract", the CSR assessment of the new Preferred and Major suppliers is systematically implemented during the tender phase allowing ENGIE to carry out the pre-requisite full due diligence procedure before contract signature.

In 2020, 180 new major suppliers were subject to due diligence. Some assessments are supplemented by on-site audits. For example, the MESCAT BU carried out 48 audits of the site facilities for foreign workers (United Arab Emirates and Bahrain).

### 6.3. Management of critical suppliers

EcoVadis considers that suppliers having a score above 45/100 are engaged in major CSR topics, therefore risks are limited. On the contrary, suppliers with a lower score may put ENGIE at risk hence the minimum score of 45 has been set to define a list of Preferred and Major suppliers critical CSR wise. This list is maintained at the Group level but also at BU level.

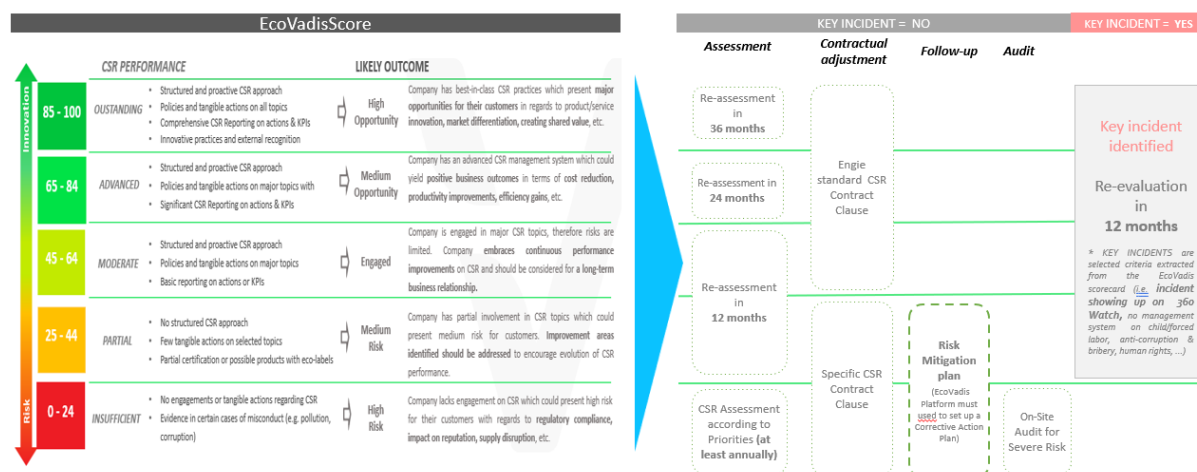


Critical suppliers must set up a corrective action plan using EcoVadis platform. ENGIE procurement ensures regular follow up either on the platform or in regular business review over the contract duration.

A CSR evaluation is required on a yearly basis for critical suppliers until their score is above 45. This requirement applies also to suppliers with a score below 65 as set out in the matrix below. However, no matter the supplier's score level, in case of key incident occurrence, the suppliers 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



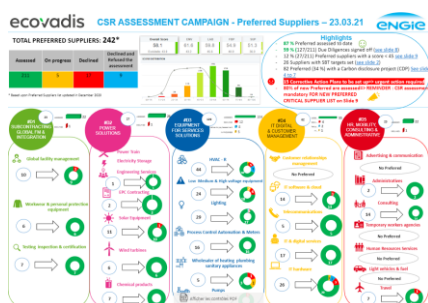
Other criteria to reinforce Risk Management depending on [Spend threshold](#) or [negative feedback about supplier](#)

### 6.4. Report on progress done

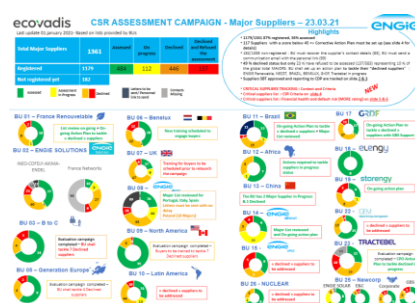
The proportion of Preferred and major suppliers with an ECOVADIS score above the “controlled CSR risk” level is one of the Group's objectives in terms of responsible procurement. The progress of the CSR commitment of these two panels is therefore important and subject to very regular management and monitoring by the Group Procurement Department Two dashboards are shared with Category managers and the 25 Business Units on average twice a month.

The assessment of the Group's preferred suppliers increased by 22% during the year to reach 86% in December 2020. At the same time, the number of major suppliers of the BUs assessed by ECOVADIS was multiplied by 7 with 446 assessments .





### 250 Preferred Suppliers



### circa 1350 Major Suppliers in 25 Business Units

The significant increase in the number of suppliers assessed should be supported in the short term by the introduction of new obligations in all contracts concluded with ENGIE. The “Ethics” clause now provides for the possibility for purchasers to ask the supplier to be assessed, at his expense, by a third party appointed by ENGIE. The exercise of this option will be systematic for Preferred and Major suppliers.

Risk management is also improved by pooling due diligences carried out by all BUs. A SharePoint accessible by the entire procurement function via the Procurement Information Center (PIC) currently brings together more than 300 due diligences.

## 6.5. Procurement Risk mapping

Alongside the assessment of the suppliers, the procurement risk analysis is conducted via a risk mapping developed in partnership with ECOVADI.. This matrix combines the CSR risks intrinsic to each of the 62 purchasing categories and the country risk corresponding to operation's location. This matrix allows to define a global CSR risk on a scale of 1 to 6. This risk matrix, together with a set of recommendations, enables selection criteria and means of limiting risks to be defined for new suppliers.

In 2020, three procurement categories are considered high risk with a CSR risk level of 6 regardless of the country where the products are manufactured: engineering / turnkey installation, chemicals, batteries.

## 7. CSR PROCUREMENT OBJECTIVES : PROGRESS STATUS

In line with ENGIE’s CSR ambitions for 2025-2030, the 3 objectives set by the Group Procurement are measured through 3 KPIs :



Theme	KPI	Target 2025	Target 2030	2020	2019
Decarbonization of the main suppliers	250 preferred suppliers aligned with or certified by the SBT*	25%	100%	15% 22 Suppliers SBT target set 16 Suppliers SBT committed	not available
CSR Evaluation	Share of Preferred and Major** suppliers with an ECOVADIS rating above the "controlled CSR risk" level	70%	100%	20%	13%
Inclusive Purchasing	Share of inclusive procurement aligned with the five GT3 recommendations ***	60% of GT3 recommendations	100% of GT3 recommendations	30%	not available

\*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.). 5 recommendations / 1- Appoint a Comex sponsor to promote inclusive purchasing in the company ; 2 -Include a clause on inclusive purchases in all tenders for which this is possible ; 3 -Set up simplified purchasing and contracting processes for companies eligible for the inclusive purchasing criteria ; 4 -When possible, include in all RFP a bidder selection criteria to assess their commitment to inclusion ; 5 - Measure progress annually

In addition, the Group is also taking actions to reduce payment delays by rolling out "Purchase to Pay" initiatives in BU/entities and ensuring regular monitoring.

The follow up is monthly and is based on payment information issued by each accounts payable organization (GBS finance) and consolidated by the DIJON CSP team

Based upon these figures, actions plans are set by each BU to reduce delays by the entities, such as :

- invoice digitalization improved
- set up of invoice receipt process reminder and invoice receipt process eased,
- new digital portal allowing suppliers to submit and monitor invoices payment

These actions plans produced their effects as the late payment amounts dropped by 50% between 2018 and 2020 (ENGIE's French entities).

## 8. COVID 19 CRISIS

Since the start of the Covid-19 crisis, Purchasing has been carrying out service continuity tasks and supporting the gradual resumption of activity. Exceptional measures have been implemented. In response to the shortage of masks, a task force was formed to supply them, as well as other health products. To support the most fragile suppliers, the payment of invoices issued by SMEs and VSEs was accelerated in France and Belgium



## About ENGIE

Our group is a global reference in low-carbon energy and services. Together with our 170,000 employees, our customers, partners and stakeholders, we are committed to accelerate the transition towards a carbon-neutral world, through reduced energy consumption and more environmentally-friendly solutions. Inspired by our purpose ("raison d'être"), we reconcile economic performance with a positive impact on people and the planet, building on our key businesses (gas, renewable energy, services) to offer competitive solutions to our customers.

Turnover in 2020: 55.8 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, Euronext Vigeo Eiris - Eurozone 120/ Europe 120/ France 20, MSCI EMU ESG, MSCI Europe ESG, Euro Stoxx 50 ESG, Stoxx Europe 600 ESG, and Stoxx Global 1800 ESG).

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