

SUSTAINABLE PROCUREMENT And ESG KPI



“The mission of ENGIE’s Procurement function is to support our Group’s performance, sustainability, and competitiveness, through the selection of performing, innovative suppliers which have a positive impact on people and the planet”

Aurélie TREMBLAYE
SVP & Group Chief Procurement Officer at ENGIE

With an expenditure of €18 billion in 2023 excluding energy purchases per year, the Procurement function has a leading role in the ENGIE’s value chain and its ESG objectives achievement.

1 SUSTAINABILITY IS PART OF THE PROCUREMENT DNA

Beyond contributing to the Group’s operational performance, the sustainability of purchases, and more generally of the Group’s entire supply chain, has become a key issue that is based on three pillars:

- I. The impact of procurement on carbon emissions and climate. Procurement has a key role in achieving the Group’s decarbonization commitments (Net Zero Carbon 2045 objective, well-below 2°C by 2030 trajectory, etc.).
- II. The impact of procurement on nature (water, biodiversity, pollutants, waste, etc.) is a subject of increasing and significant importance;
- III. The human impact of procurement (inclusive procurement, impact on communities, human rights of the supply chain, worker health, ethics, etc.).

To address these challenges while managing ESG materiality risks, the procurement function has developed a management system and an organisation that enable engagement with its 83,000 active suppliers for a sustainable business.

1.1. Procurement as one of the pillars of ENGIE journey towards net zero

Procurement is measured under scopes 3.1 and 3.2 and ENGIE procurement carbon footprint is disclosed on a yearly base within URD.

As such, ENGIE procurement line is fully devoted to reduce the carbon footprint on what is purchased every year. This however includes also the carbon impact during procured items and services’ lifetime (reported mostly under scopes 1 and 2 as per GHG protocol).

Engie invites its suppliers (starting with its key Preferred and Major ones) to join the Group in this common challenge :

- ENGIE top 250 Preferred suppliers shall be SBTi aligned by 2030 (Group extra financial KPI)
- All Preferred and Major suppliers are assessed on a yearly basis regarding their carbon maturity
- Specific deep dialogues are held with our most advanced suppliers when it comes to decarbonization actions and innovations

1.2. The Procurement function as a pillar of ENGIE’s Vigilance Plan

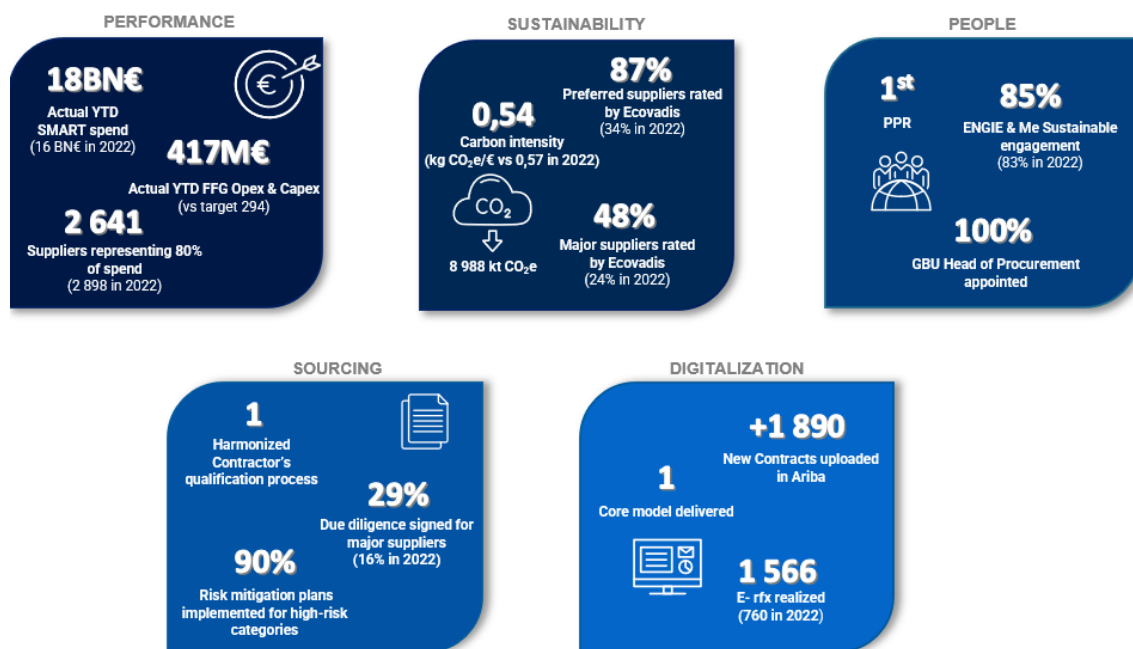
In accordance with the provisions of the Sapin II law and the law relating to the duty of vigilance of parent companies, ENGIE Group Procurement Department has established, published and effectively implemented adapted measures to identify risks and prevent severe abuses to human rights, fundamental freedoms, the health and safety of individuals, and the environment resulting from the activities of 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 : 

The Group Procurement Department is a leading actor in the Vigilance Plan, working alongside the Ethics, Compliance & Privacy Department, the Global Care Department, and the ESG Department

2 PROCUREMENT AT ENGIE – KEY FIGURES (2023)



3 A MANAGEMENT SYSTEM ENSURING ESG COMPLIANCE

3.1 Procurement policies and Processes

In essence, ENGIE’s Procurement management system is designed to integrate ESG principles into everyday business practices to promote sustainability, ethical behavior, and social responsibility. It is made up of a structured set of processes, policies, and “Golden Rules” implemented to ensure its suppliers adhere to Environmental, Social, Governance (ESG) standards and legal requirements.

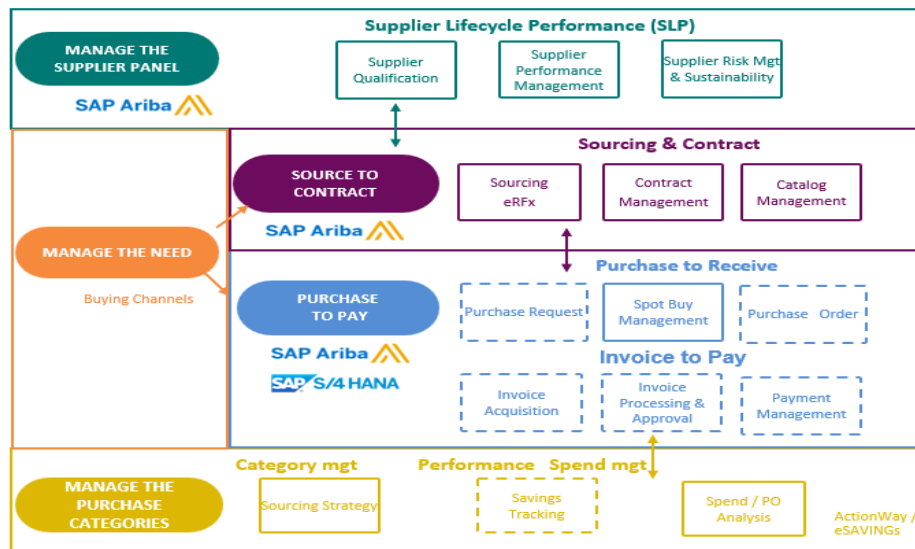
A management system with two governing documents:

1.1 A Group Procurement Charter (Commitment and Risk management) : this public document which emphasizes ENGIE’s decarbonation ambitions, is shared with suppliers. It specifies the Group’s requirements in terms of:

- the suppliers’ health and safety commitments,
- Suppliers' commitment to engaging in ethical business relationships and considering social responsibility, ethics, embargoes, and anti-corruption,
- The pursuit of competitive bids and sustainable, innovative solutions."

1.2 Procurement Governance: This document defines Group-wide principles for managing external expenditure and outlines 14 key rules for the procurement function. These rules include obligations to reinforce the separation of tasks between buyers and purchasing advisers, while encouraging their collaboration in selecting the best offerings. They also emphasize the importance of ESG evaluation and the Due Diligence process for all key suppliers.

The requirements of these two documents, as well as the Group’s broader requirements, are implemented through five operational processes that cover the entire end-to-end purchasing process.



Operational processes are compliant with ENGIE Group requirements :

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

These requirements must apply throughout the entire supply chain and are incorporated into the standard Ethics and ESG clause found in all ENGIE contracts. This clause lists obligations related to human rights, bribery, and embargoes. Suppliers are also required to ensure environmental protection, which includes, but is not limited to, reducing greenhouse gas emissions, managing energy consumption, preventing pollution, managing waste, improving resource efficiency, preserving biodiversity, preventing deforestation, and conserving land.

In addition, 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.

Since 2022, procurement entities have quantitative inclusive purchasing objectives in accordance with **Inclusive Procurement Policy**.

3.2 Monitoring the deployment

The proper implementation of these processes is verified via the INCOME internal control program. With 31 different controls, the INCOME PRO reference system covers all purchasing processes.

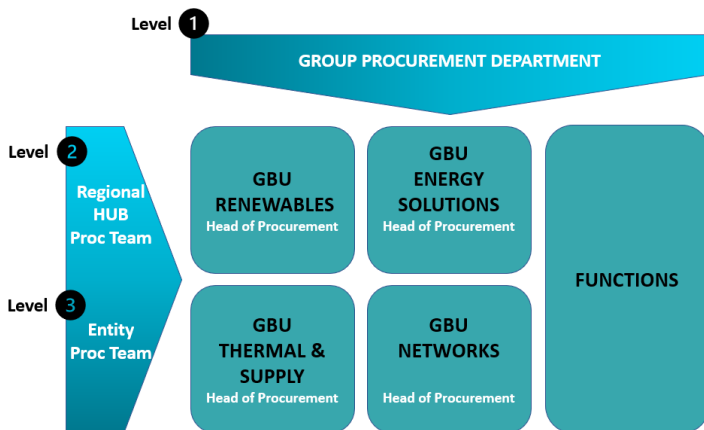
Ultimately, the Internal Audit Department conducts audits on ENGIE’s entities.

4 A PROCUREMENT ORGANIZATION DEDICATED TO ESG OBJECTIVES

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

Procurement is an integrated “glocal” organization based on :

- A global and local management depending on process / suppliers / stakeholders
- An organization by area of expertise
- A standard approach across ENGIE



Procurement is organized in three levels :

Level 1 : Group Procurement Department leading Category management, governance, performance, process & tools, steering and transformation. This level is managed by the Group Chief Procurement Officer (Group CPO) at Corporate.

Level 2 : Regional Procurement Hubs organizing synergies and standardization across countries with the support of Shared Service Centers. These levels are managed by Hub Chief Procurement Officers (Hub CPO), except for France where this level is managed by Group CPO.

Level 3 : Countries focusing on operational activities including negotiation, contract and supply execution. These levels are managed by Heads of Procurement Country/Entity (Entity CPO).

Procurement coordination across each GBU is ensured by a Head of Procurement

5 ENGAGING WITH SUPPLIERS FOR A SUSTAINABLE BUSINESS

From the qualification phase to contract closeout, suppliers must demonstrate their ESG compliance. To this end, ENGIE supports them in building an ESG program through assessments, due diligence, site audits, and initiatives such as the WindEurope sector initiative, the SME decarbonization scheme, webinars, and training platforms. Ultimately, ENGIE has established a procedure to ban suppliers who do not comply with ESG requirements.

5.1 Procurement Risk mapping

Identification of materiality risks is based on a risk mapping developed in accordance with the Duty of Care Law (2017). Leveraging market and supplier knowledge, Global Category Managers collaborate with ECOVADIS to create this matrix. It combines the ESG risk of each category with the country risk, enabling the definition of risk management plans and specific supplier qualification criteria and actions such as reinforced due diligence, specific qualification questionnaires, and site audits

In 2024, six procurement categories are considered high risk: Engineering/Turnkey Installation, Solar Equipment/Batteries, Wind Turbines, Work Wear, Low, Medium, and High Voltage Equipment, and IT Equipment.

This targeted approach complements the measures applied to the Group's key suppliers, which include 200 Preferred Suppliers managed by Group Managers and 900 Major Suppliers managed locally by ENGIE's entities.

5.2 Partnership with EcoVadis

Since the end of 2018, the Group Procurement Department has been entrusting an external provider (ECOVADIS) to evaluate in short term all Preferred and Major suppliers over four themes (**Environment, Work and Human Rights, Ethics and Sustainable Purchasing**). This panel of circa 1100 suppliers is spread over nearly 30 countries and represent 37% of the total spend (18 Billion Euros).

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

5.2.1 EcoVadis methodology

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

EcoVadis considers that suppliers having a score above 45/100 are engaged in major ESG 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 ESG wise. This list is maintained by at the Group level but also at entity level.

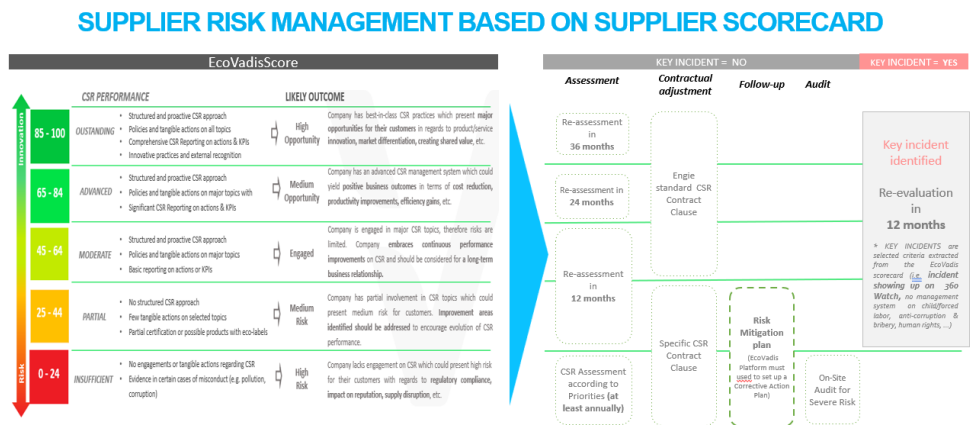
The Supplier embraces continuous performance improvements on ESG and should be considered for a long-term business relationship

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.

To date (May 2024), the overall score of assessed suppliers is 59/100 which is good according EcoVadis' referential.

In 2023, 8% of the key suppliers had a score below 45/100. A ESG 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.

This matrix sets out the supplier risk management against EcoVadis scoring.



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

5.2.2 Rolling out suppliers ESG evaluation across the procurement function

Getting key suppliers assessed by EcoVadis may be challenging in some geographies, especially with smaller suppliers with little ESG awareness. To tackle these challenges, the Group Procurement Department has set a project team in charge of promoting the evaluation of the suppliers by EcoVadis and implemented a training program together with EcoVadis. The Project team based at the head office includes local contacts in North America, South America, Africa, Middle East, Asia and Europe.

The rolling out of this project has been supported by the introduction of new obligations in all contracts concluded with ENGIE. The "Ethics" clause now allows the buyers 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. Non compliance with this clause is a cause of contract termination.

5.3 Due diligence

In accordance, with the Procurement Charter and the Due Diligence Policy, key suppliers are automatically assessed by the procurement line via due diligence. Since 2019, this rule has been gradually extended to cover a panel of 1,100 recurring suppliers, representing 37% of expenditure excluding energy.

In 2023, ENGIE has set up a team dedicated to the Due Diligence process with the support of EcoVadis outcomes and an ethics rating tool : **IndueD** provided by Altares. This later tool combines **Dun&Bradstreet** and **Dow Jones** data allowing identification of Ultimate Beneficial Owners (UBO) and suppliers' governance.

These data are key to check integrity of suppliers and compliance with ESG requirements. In 2024, this process is extended to suppliers located in high-risk countries.

The Due Diligence process constitute a good opportunity to engage with suppliers through contractual specific clauses or corrective action plan.

5.4 Audits Sites

Aligned with the risk mapping and the due diligence process, a **Site Audit Plan** has been developed for Solar Panels and wind turbines suppliers.

Construction plants are audited by internal auditors on CSR aspects : human rights, labor, environment and ethics. Depending on the results of the audits, suppliers might be subject to follow-up visits and ultimately contract termination in accordance with the contract ethics clause.

In 2024, 2 sites were subject to a follow-up.

5.5 Support and training are key for building up an ESG Program

In 2023, ENGIE together with Bpifrance (Public Bank) have launched a program to support 1,000 SME in their decarbonization journey (Press release). The purpose of this program is to set up decarbonization plans developed by independent consulting firms, equipped and guided by a dedicated team within Bpifrance, with technical support from the Association for Low Carbon Transition and ADEME, which also provides funding for this initiative.

A similar initiative was officially launched in July 2023 (Press Release), whereby ENGIE and 6 other large French companies agreed to join their forces under the auspices of Pacte PME and French Ministry of Economy to accompany their SME suppliers in their decarbonization journey.

Bringing methodologic support is also critical for suppliers less mature to improve their ESG commitments. ENGIE's partnership with EcoVadis provides a support through EcoVadis Academy and its Professionals Program. These courses are designed to give you knowledge and insights to help you in your professional journey whether you are new to sustainability or want to develop existing skills. Each program will include a series of courses and assessment process. Once completed you will receive a certificate of completion and a digital badge to use to showcase your achievement.

6 ESG KPI

The Procurement function is supporting the Group in achieving its 2030 goals through a sustainable purchasing process, which involves collaborating with suppliers across all business segments. In 2020, the Group Purchasing Department established two ESG objectives: decarbonization of key suppliers and promotion of responsible procurement.

6.1 ESG Objectives status

Objective	Criterion	2025 Objectives	2030 Objectives	2023	2022	2021
Decarbonization of the key Suppliers	top 250 Preferred Suppliers aligned or certified SBT	25%	100%	24%	23%	20%
Developing Responsible Procurement	Key Suppliers CSR assessment and inclusive procurement	70%	100%	54%	38%	40%

6.2 ESG Dashboards

Monitoring the status of ENGIE’s key suppliers is facilitated through multiple dashboards integrated into our Procurement Information Center. This setup enables tracking of suppliers' spending in relation to their ESG performance, including carbon emissions.

Dashboards maintained :



- Preferred and Major Suppliers EcoVadis assessment status
- Preferred and Major Suppliers Due Diligence status
- Inclusive purchases (SME, Sheltered employment sector, professional integration)
- Carbone emissions

These dashboards, powered by Power BI, are accessible to all procurement entities to streamline their monitoring processes.

7 A TRAINING PROGRAM FOCUSING ON ESG THEMES

ENGIE’s procurement function comprises over a thousand people across 30 countries. Therefore, it is crucial to engage with all these individuals to ensure proper implementation of the management system and to raise awareness about ethics risks and integrity requirements.

An ambitious ethics training program ensures the effective implementation of the management system and the organisation throughout the Group’s entities. In 2023, the training plan focused on:

- Ethics
 - Ethics and supplier relations in practice with a focus on due diligence process ;
 - three mandatory online training modules for the entire procurement function: “Fraud and Corruption, zero tolerance”, “Our Group, our Ethics” and “Competition Law”;
 - four videos: “Prevention of corruption”, “Gifts and invitations... What to do”, “Prevention of conflicts of interest” and “ENGIE whistleblowing system”.
- Decarbonisation
 - Two e-modules on carbon are compulsory for buyers
 - 4 modules and one multi-days session on more specific topics (procurement decarbonization, Life Cycle Assessment) are available to our buyers

8 ENGIE ESG PROGRAM RECOGNIZED

The ECOVADIS rating agency assessed the Group in 2023 with a score of 78/100. The Procurement performance in terms of sustainability is well recognized by this agency as the “Sustainable Procurement” theme has significantly progressed between 2020 and 2023 with reaching 80/100 versus 60/100 (2020).

