

redeia

El valor de lo esencial



# Supplier ESG Program

Horizon 2023-2025

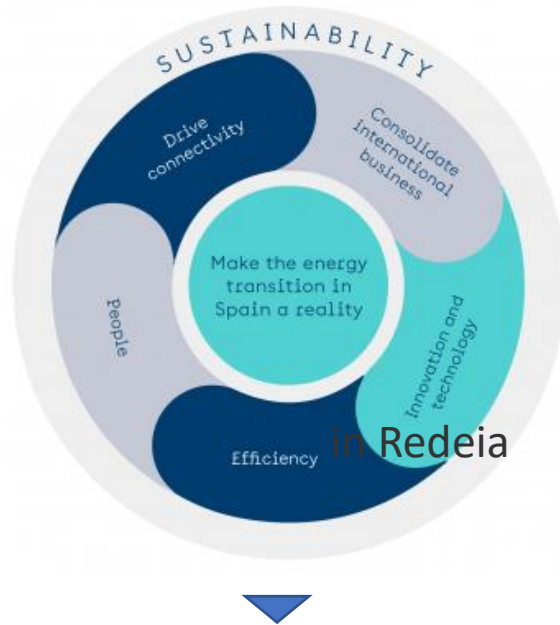
May, 2023

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1.

## Sustainability FRAMEWORK in Redeia

## Strategic Plan 2021-2025



### Enables REDEIA's mission, vision and purpose.

**Purpose of REDEIA.** Guarantee the electricity supply and ensure connectivity in the field of telecommunications, promoting a just ecological transition based on **sustainability** criteria, whilst showcasing our neutrality and contributing to social and territorial cohesion.

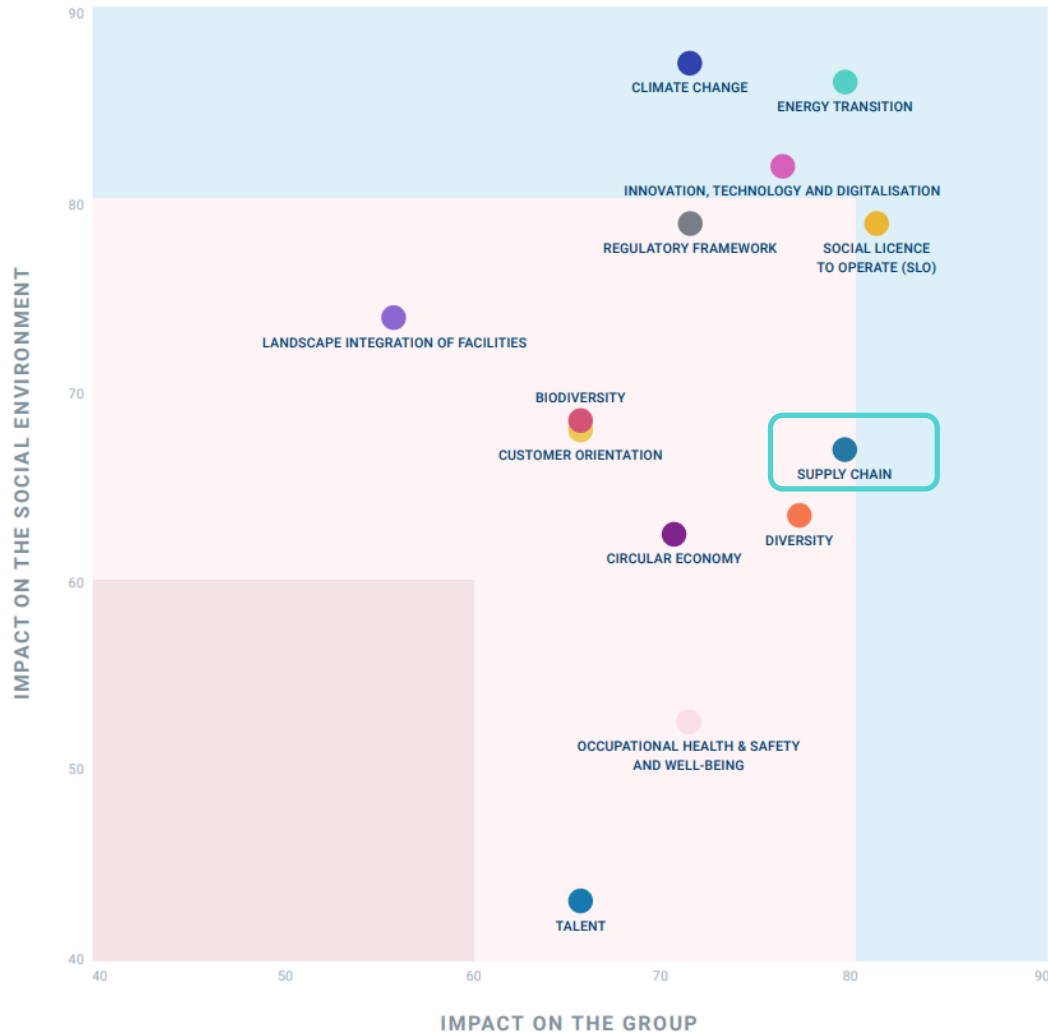
## Commitment to Sustainability 2030



Approved in 2019 by the Board of Directors.

This Commitment reflects REDEIA's concern to long-term sustainability through a business model capable of **creating shared value for all stakeholders through** the responsible development of its activities.

## Design based on the Materiality Study 2022 Supply chain



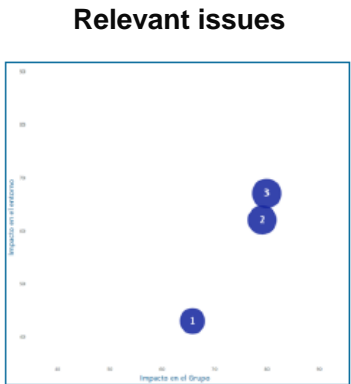
- The materiality study is a tool for analysis and reflection, to understand the group's internal and external **sustainability context**, and to identify and prioritise the material sustainability issues related to that context, involving stakeholders and taking into account their **expectations and needs**.
- With respect to the materiality study carried out in 2019, the supply chain remains at a **high prioritisation**, although both internal and external relevance increases.
- Relevant issues identified help to set objectives and actions for impact minimisation.

### Relevant issues

**Supply chain risks.** The globalisation of markets has extended the limits of companies' responsibilities and has led to a change in the role of the supplier, who has become an essential element in the business. Today, there has been an increase in the systemic vulnerability of the world economy, which has made supply chains a risk factor that must be managed to ensure timely deliveries, sustainability requirements and price control to ensure the viability of purchases.

**ESG criteria in procurement.** Promotion of sustainability criteria in management and purchasing decisions, giving special priority to the environmental footprint of materials and equipment, as well as to suppliers' compliance with ESG commitments, rather than other criteria such as price.

**Extending ESG commitments to suppliers.** Transfer of sustainability principles, priorities, strategies and objectives to suppliers, focusing on areas such as health and safety, environment, anti-corruption and respect for human rights. The extension is supported in particular by training and awareness activities.



Considering the 4 sustainability priorities, the Plan is composed of 14 lines of action and 55 themes, 87 objectives and 190 actions.

Decarbonisation of the economy

Responsible value chain

**Purpose:** To extend our commitment of responsibility to all links in the value chain, from our people to our **suppliers** and customers, by building partnerships and based on our governance and integrity model.

Contribution to the development of the environment

Anticipation and action for change

## RESPONSIBLE VALUE CHAIN

### Suppliers



2030

To be a **driver of change** for our suppliers:

At least **25** supplies with the greatest impact on the transport network with criteria of circularity (LCA), climate change, security, diversity and biodiversity.



2025

At least **10** supplies with the greatest impact on the transport network with criteria of circularity (LCA), climate change, security, diversity and biodiversity.

2022

Development of the supply lifecycle analysis methodology, taking as a reference four relevant supplies: supports, steel and aluminium conductors, transformers and shielded substations.

#### Target 2030:

28% reduction in Scope 3 emissions compared to 2019.

#### Targets 2025:

$\frac{2}{3}$  of suppliers (in terms of emissions) with SBTi<sup>(1)</sup> approved (with respect to 2019).

#### Targets 2023

- Define the **sustainable procurement model** for ESG criteria, considering the 2022 LCA analysis, with implementation in the 4 supplies analysed in LCA in 2022.
- Extend the **security risk management model** in the supply chain (cybersecurity, data security and physical security), carrying out risk mitigation actions in 20% of the supplies with risk treatment.

#### Progress 2023

- Continue collecting actual emissions data from suppliers whose emissions account for  $\frac{2}{3}$  of the emissions associated with the total number of suppliers.

(1) SBTi targets (*Science Based Target initiative*): an initiative that provides science-based methods and tools to help organisations reduce greenhouse gas emissions.

2.

## CONTEXT supply chain 2022



## Global

The year 2022 has been marked by the outbreak of **war in Ukraine** which has cut off expectations of supply chain recovery from the **disruptions caused by the Covid-19 pandemic**.

This has contributed to the large **increase in the cost of the main raw materials** (steel, aluminium, copper, etc.), the **volatility of prices and the rise in the CPI index** with the consequent increase in interest rates to mitigate inflation, which has also generated increases in the cost of services.



Relevant actions 2022



## Energetic

In this context, there is an **increase in the demand for supplies due to the approval in March 2022 of the 21-26 Electricity Transmission Grid Planning**, which has sharply accelerated investment to reach 4,000 MEUR in this period. Together with this increase in domestic demand, there is also an **increase in demand** both in Spain and in the rest of Europe due to the necessary **deployment of renewable energies in compliance with the decarbonisation objectives**, both national (PNIEC 2021-30) and European (among others, with the promotion of marine renewables).

## Redeia

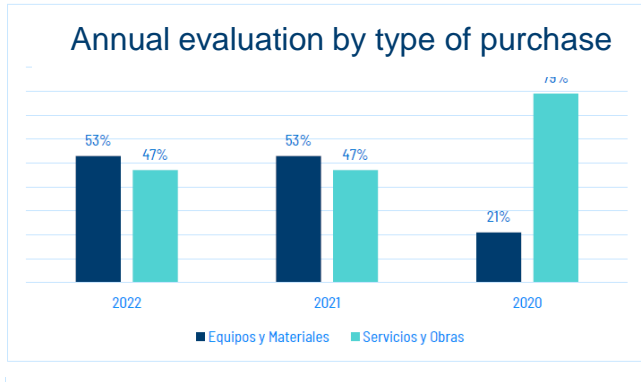
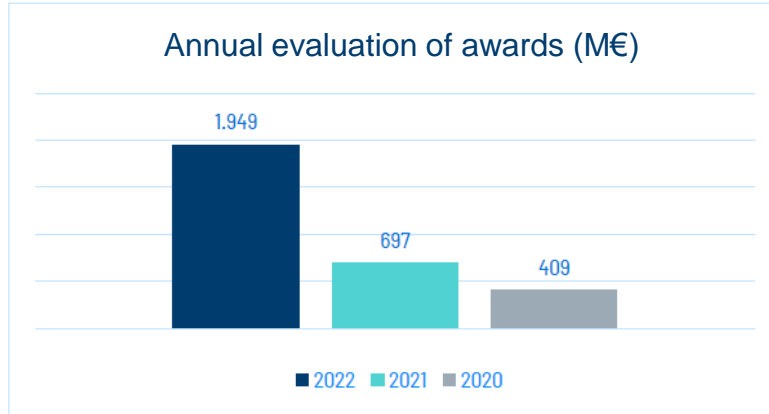
This has generated strong competition, which means saturated factories with manufacturing slots committed for several years and a shortage of skilled labour, for which **Redeia is anticipating in order to minimise impacts** with objectives in 2023 that allow for the **assurance of supply**:

- Review of **procurement strategies**
- **Promotion of the local portfolio** that favours the attraction and retention of talent (Pilot 2023 in the Canary Islands).
- Obtaining an **optimal and solvent supplier portfolio**
- **Updated visibility of 21-26 Electricity Transmission Grid Planning to suppliers**

# Purchasing activity of the Supply Area

These figures do not include HISPASAT and REDINTER's local purchases.

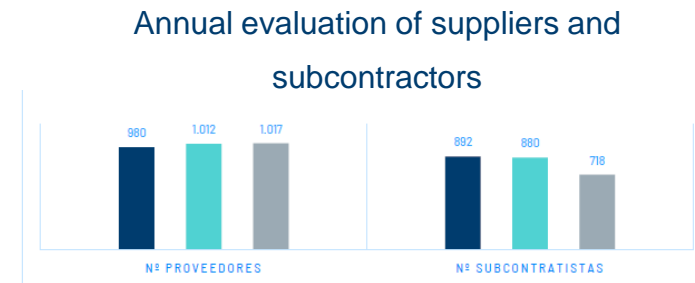
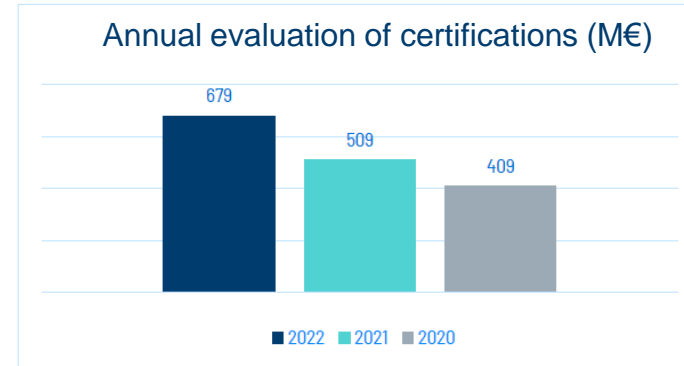
## Awards



In 2022 the volume of awards has increased by more than 2.7 times compared to the previous year due to the increase in long-term agreements in similar proportion equipment and materials vs. services.

Of the 1,085 approved awards, 510 awards (47%) amounting to 21.6 M€ (1.1%) have been managed by *Eagle*, RPA for procurement (robotic process automation).

## Certifications



In 2022, supplies totalling 679 M€ have been certified with 980 direct suppliers and 892 subcontractors.

79% of the certifications were for services and works, while 21% were for equipment and materials.

	2022	2021	2020
<b>Work within the framework of REDEIA contracts</b>			
Total companies	3.087	3.037	2.010
Suppliers <sup>(1)</sup>	2.195	2.157	1.292
Subcontracting companies	892	880	718
<b>By type of supply</b>			
For services and works	76,40%	80,70%	85,40%
For materials and equipment	23,60%	19,30%	14,60%
<b>By location</b>			
Suppliers for Redeia based in the European Union	92,30%	78,80%	88,70%
local suppliers for businesses Redeia (Spain)	82,50%	86,50%	82,20%
Local suppliers for Redinter (Chile)	99,80%	98,30%	97,50%
Local suppliers for Redinter (Peru)	66,20%	66,90%	97%
<b>Evolution of the supplier portfolio <sup>(2)</sup></b>			
Supply families (materials and equipment and services)	394	387	365
New suppliers added in the year	336	161	97

**Promoting local procurement is one of REDEIA's priorities.**

(1) It considers the activity of all group companies.

(2) Not including Hispasat and Redinter.

## Currently, the Supply Area has identified and monitors 4 risks associated with the supply chain:

Risk	Definition	Potential impact
Establishment of business relations with suppliers located in countries with potential risk in socio-labour conditions.	Risk of non-compliance by suppliers with corporate responsibility aspects and the principle of equal treatment.	Reputational loss due to the impact on a priority stakeholder group
Increased costs for equipment and materials	Risk associated with price increases for equipment and materials.	Increased cost of doing business and impact on the profitability of certain investment projects
Increased cost of services	Risk associated with price increases for equipment and materials.	Increased cost of doing business and impact on the profitability of certain investment projects
Incidence risk in the supply chain of equipment and materials	Risk of supply chain incidents due to delays or increases in lead times, stock outs	Impact on the normal functioning of the activity

### Control actions and risk minimisation

- Incorporation of requirements in specifications to encourage interchangeability of equipment.
- Monitoring of supplier risk (economic-financial; due diligence; human rights) according to the model established in the Action Guide on the subject and action in the event of findings.
- Opening advocacy/social audits based on the potential impact of integrity and human rights due diligence findings.
- Encouraging revision of technical specifications that promote efficient designs / interchangeability of equipment.
- Encouraging the incorporation of new suppliers, with a focus on the most critical supplies.
- Promote initiatives for the incorporation of local suppliers and talent retention.
- Review of procurement typology (framework agreements, project-based procurement, etc.) with a focus on efficiency and critical supplies.
- Application of levers such as planning medium- to long-term needs, modification of payment formulas, use of purchase recommendation tools and anticipation of raw material purchases, search for synergies for more efficient contracting, etc.
- To make future needs visible to suppliers in order to facilitate their sizing and management of manufacturing slots.
- Avoid storage outside Spain.
- Objective 2023 of securing goods and services with horizon 23-26.
- Continuous monitoring of orders.

# Significant suppliers

## Definition and measurement

Criterion	Indicators																
<p><b>Suppliers that provide equipment, materials, services or works for critical processes<sup>(1)</sup> for Redeia:</b></p> <p>a) Who have been recruited during the year under the following conditions:</p> <ul style="list-style-type: none"> <li>• Unique source for technological issues</li> <li>• Low competition:                             <ul style="list-style-type: none"> <li>○ Less than 3 qualified suppliers</li> <li>○ Unique market supplier</li> <li>○ Receipt of 1 offer</li> <li>○ Submission of a single technically valid tender</li> </ul> </li> <li>• Recurrent services<sup>(2)</sup> with contracted amount &gt; 1MEUR</li> </ul> <p>b) Top 20 (suppliers with the highest certified amount)</p> <p>c) Suppliers for key technology supplies</p>	<p><b>Number of suppliers</b></p> <table border="1"> <tr> <th>Category</th> <th>Count</th> <th>Percentage</th> </tr> <tr> <td>Significant</td> <td>134</td> <td>6%</td> </tr> <tr> <td>Not significant</td> <td>2061</td> <td>94%</td> </tr> </table>	Category	Count	Percentage	Significant	134	6%	Not significant	2061	94%	<p><b>Certified volume</b></p> <table border="1"> <tr> <th>Category</th> <th>Percentage</th> </tr> <tr> <td>Significant suppliers</td> <td>46%</td> </tr> <tr> <td>Not significant suppliers</td> <td>54%</td> </tr> </table>	Category	Percentage	Significant suppliers	46%	Not significant suppliers	54%
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<p><b>Suppliers with ESG risk (subject to social audit):</b></p> <p>a) Two or more ESG risks</p> <p>b) Identification of potential non-compliance with the Supplier Code of Conduct</p>	<p>Of these 27<sup>(3)</sup> providers, <b>3 are common with the previous group</b></p> <p><b>Number of suppliers</b></p> <table border="1"> <tr> <th>Category</th> <th>Count</th> <th>Percentage</th> </tr> <tr> <td>Significant</td> <td>27</td> <td>1%</td> </tr> <tr> <td>Not significant</td> <td>2,168</td> <td>99%</td> </tr> </table>	Category	Count	Percentage	Significant	27	1%	Not significant	2,168	99%							
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<p><b>Total significant suppliers</b></p>	<p><b>158; 7%</b></p>																

(1) Critical processes are considered to be those directly related to the construction and maintenance of the transmission and telecommunications network.

(2) Recurrent services are those that support critical processes (e.g. engineering; IT support; supervision, waste management, etc.).

(3) Of the 27 suppliers: 20 audited, 5 blocked for not accepting audit and 2 to be audited in 2023.

# Significant suppliers

## Risk minimisation actions

### Reduced competition

- Active search campaigns for suppliers (*scouting*) to expand the supplier portfolio to ensure coverage of needs.

### Top 20

- Regular meetings that the company holds periodically with key suppliers with the aim of providing mutual feedback and offering an overview of current and future activity, the business relationship, supplier risk assessment and sharing concerns and priorities in the field of sustainability.

### Suppliers for key technology supplies

- Visibility of needs with the aim of having adequate manufacturing slots to guarantee supply, through meetings and regular exchange of information.
- Standardisation of engineering for interchangeability of equipment to facilitate greater competition.

### Suppliers with ESG risk

- Annual social audit plan
- Change of qualification status<sup>(1)</sup> to suppliers who do not accept audits.

(1) They are blocked from participating in new tenders until acceptance of the audit, and may continue with the orders in progress.

	2022	2021	2020
<b>Scouting</b>			
Supplies	7	8	29
New suppliers	29	28	61

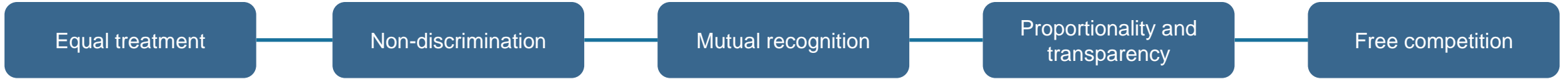
	2022	2021
<b>Top 20</b>		
Mutual feedback meetings	18	12

3.

**SUSTAINABLE** supply chain

# Sustainable supply chain management model

## Principles



## Regulatory framework



## Levers for continuous improvement



## Pillars



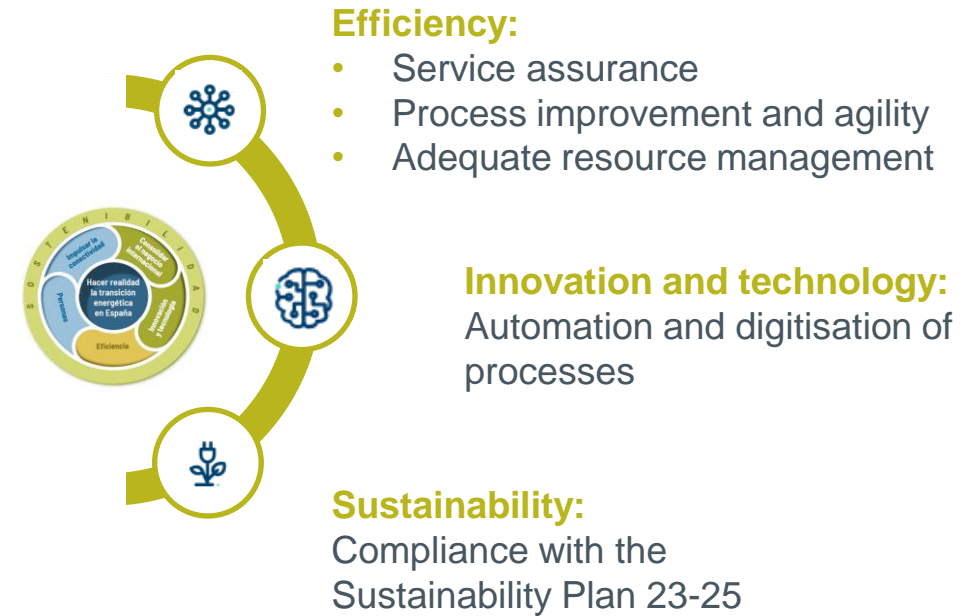


# Supply chain principles and priorities

In accordance with the Management Model, the **Supply Chain Policy** establishes next **principles for the relationship with our suppliers**:

- To transfer **ethical values** such as **respect, integrity and sustainability** - that Redeia assumes in its responsible business model- to the supply chain.
- To commit and ensure that Redeia's suppliers **comply with the** established business **requirements** and technical Standards. Also to **incorporate into their value chain the responsible behaviours** in their relationship with their employees, contractors, Redeia and also with the environment, that are established in Redeia's Code of Conduct for Suppliers.
- To promote **strategic and ongoing relationships** with suppliers for mutual benefit, ensuring the **availability of effective channels of interaction**.
- To promote **efficient communication, collaborative environments** and the **development** of suppliers in those areas that allow them to evolve until they become strategic partners of Redeia for the creation of value.
- To ensure **rapid identification and mitigation of risks** that bring assurance, agility and resilience to the supply chain.
- To promote **continuous improvement** of supplier performance by establishing contracting mechanisms and enabling appropriate communication channels to encourage this practice.

**Priorities for the achievement of the principles in the context of the Strategic Plan:**



# Supplier qualification

## Objective of the qualification process

### To have a portfolio:

- **Sufficient** to ensure coverage of needs, incorporating competition in procurement processes.
- **Adequate** for the provision of goods and services according to established business, financial, technical and ESG standards and compliant with legal requirements.
- **Updated** supplier information.
- **Digitalised** through the PRORED corporate platform, as a supplier classification and qualification system.

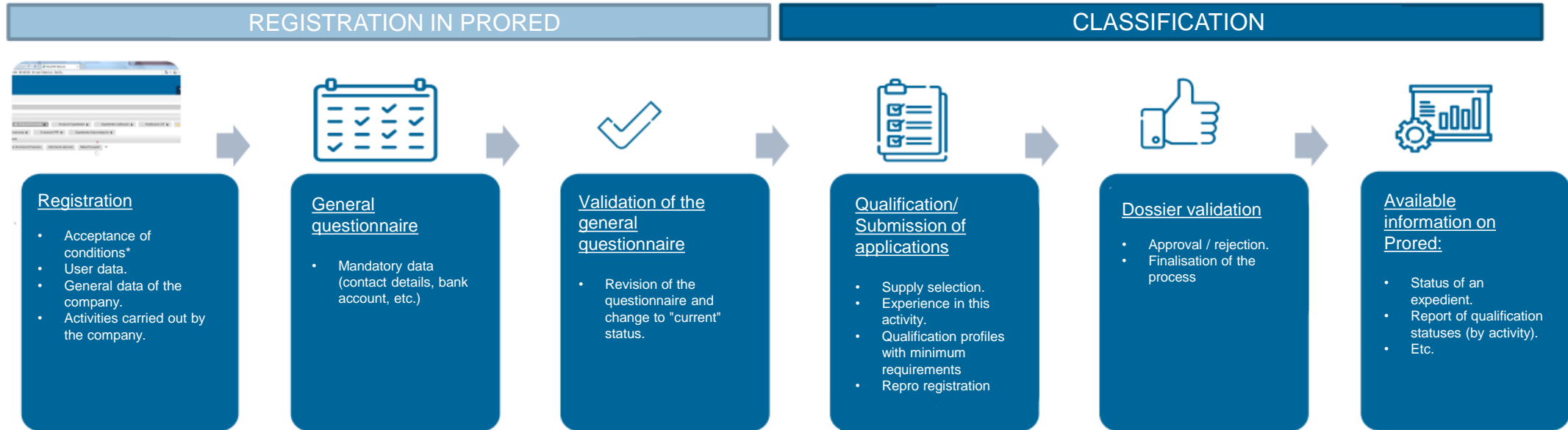
### According to the criteria of:

- **Open system**, so that any supplier who meets the requirements established for the different supplies, can qualify.
- **Transparency** in the publication of the [minimum requirements](#) , accessible before starting the qualification process.



# Supplier qualification process

The stages to be followed by a supplier in its qualification are:



\* Conditions established in the contractual documentation: a) [The Redeia Supplier Code of Conduct](#); b) [Policy for performance bank guarantees](#); c) [The General Terms and Conditions of Contract](#)

## To be considered:

- Only qualified suppliers may participate in procurement processes.
- The qualification status of a supplier may be changed in the event of an incident
- Monitoring and control of suppliers is carried out on an ongoing basis.

**Supplier qualification status changes** ⓘ

## Scope

ESG  
Corporate  
Economic-Financial

- Environment
- Social
- Governance

### In the qualification

- **Acceptance of the Supplier Code of Conduct and the General Terms and Conditions.**
- Incorporation of **minimum requirements for recurrent supplies with potential ESG impact**, such as the obligation to have certified Management Systems (ISO 14.001, ISO 9.001, ISO 45.000/OSHAS 18001); to be a Special Employment Centre, to have a Diversity Plan, etc.
- **Minimum public requirements** to inform interested companies before starting the process.
- **Technical specifications accessible at the time of qualification** to inform the prospective supplier of the ESG requirements that apply to each supply.
- Obligation to **comply with business requirements**: to be up to date with payments; to have capacities and resources.
- **Financial solvency.**

### In the award / contractual relationship

- Obligation to **comply with contractual documentation**. Include **ESG conditions**:
  - Code of conduct for suppliers
  - Technical specifications incorporating environmental and occupational safety responsibilities primarily where applicable to the supply.
  - Specifications for contracting
  - General Terms and Conditions
- **ESG criteria for purchasing decisions** for certain supplies.

### Continuous monitoring

- For recurrent supply providers that have minimum requirements in place: **Monitoring through the REPRO application in ESG.**
- During the performance of the activity, opening of **incidents with ESG impact** (Environment / Occupational Safety / Ethics and Compliance).
- **Annual social audit plan** for suppliers at higher risk.
- Follow-up of suppliers in financial difficulties.
- Control of compliance with business requirements.

# ESG risk monitoring

## ESG continuous monitoring areas

### Environment

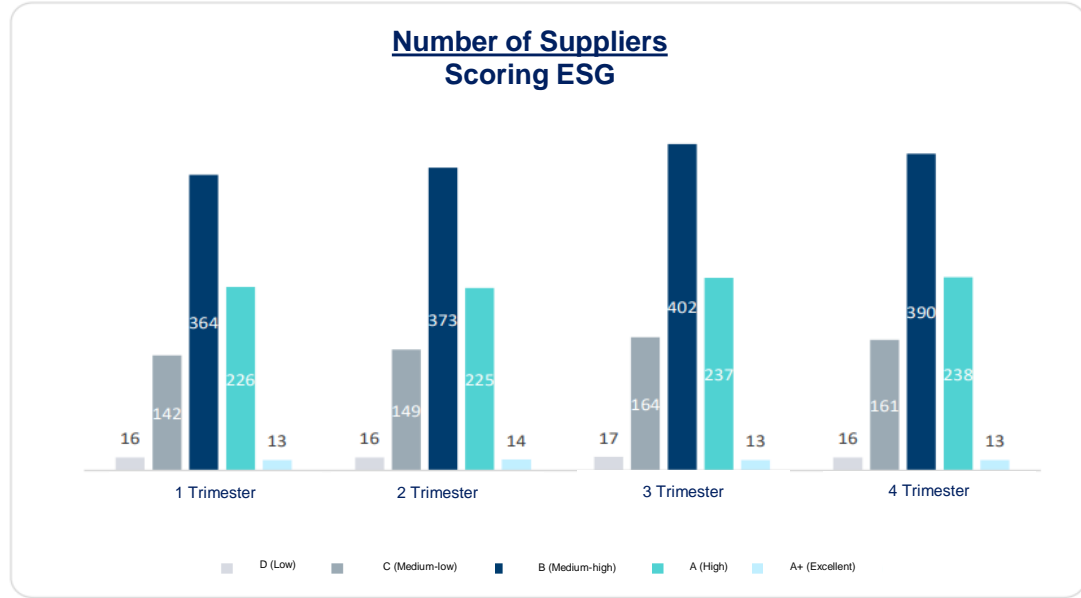
- Impact on biodiversity
- Effect on soil / water
- Climate change
- Air quality
- Circularity / Waste generation
- Energy and water consumption
- Regulatory non-compliance in the material

### Social

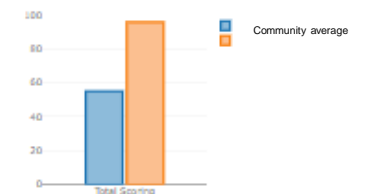
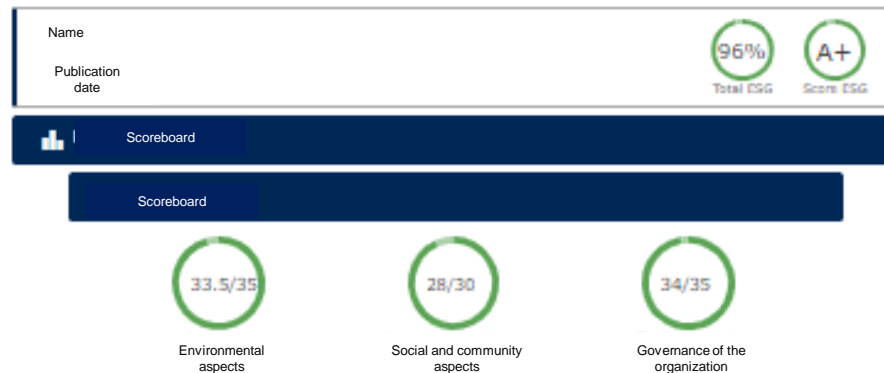
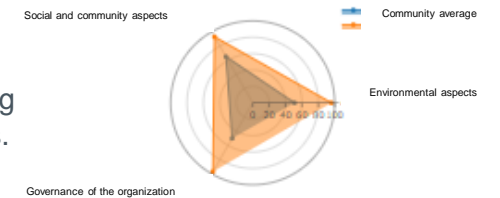
- Occupational health and safety:
  - Workplace accidents
  - Occupational diseases
  - Inadequate training/experience/information
  - Non-compliance with relevant legislation
- Promoting diversity
- Community impact

### Governance

- Ethics and Compliance Corruption and Bribery
- Appropriation / misuse of information
- Human Rights Violations
- Unethical remuneration
- Lack of commitment to society
- Non-compliance with relevant regulations
- Data protection, privacy and cybersecurity



Recurrent supply providers are continuously monitored through the [REPRO](#) platform, which allows a comparative view of their ESG positioning in relation to the average of registered companies.



## Aspects monitored

for recurrent supply providers with defined minimum requirements

### Environmental management:

- Environmental policy
- Certified environmental management system (ISO 14.001)

### Climate change:

- Calculated carbon footprint
- Reduction targets

### Circular economy / Waste reduction:

- Strategy
- Consumption measurement
- Calculated water footprint
- Waste management system

## Control actions:

- **Objective 2023:** Define the **sustainable procurement model** for key sustainability criteria (ESG), for incorporation into the relevant supply chain processes, ensuring compliance with current ESG commitments.
- **Circularity:** The Sustainability area leads the Circular Economy Roadmap 2030 with a degree of progress of 23.4% to achieve that 100% of supplies are manufactured from recycled or reused materials. Considered in the 2023 objective in the previous paragraph. Circularity criteria ⓘ
- **Collaborative supply chain carbon footprint reduction programme** Carbon footprint calculation programme ⓘ
- **TVO\* calculation** for selected supplies, including materials used, recyclability percentage, carbon footprint and water footprint.
- **Procurement and logistics:**
  - Monitoring of efficient routes of the logistics operator (in 2022, transport efficiency has increased, the number of deliveries has increased by 61% compared to a smaller increase in distances travelled, 29.5%). Average fuel consumption remains at a similar level: 22.83 l/100km in 2022; 22.31 l/100km in 2021 and 21.0 l/100km in 2020.
  - Calculation of emissions in deliveries by the logistics operator. Decreasing: 2022: 1,000 tCO<sub>2</sub> Eq.; 2021: 1,253 tCO<sub>2</sub> Eq.
  - Actions to improve planning and the reuse of excess stock, aimed at increasing efficiency and reducing emissions from the reuse of stored materials, previously considered excess.
- Of the 24 **incidents** managed in 2022 at 20 suppliers, 2 of them had an **impact on the environment**, both of **which** were closed without resulting in any change of status in the supplier's qualification for supply.

*\*Total Value of Ownership is a calculation method that goes beyond the calculation of the total cost of a product or service throughout its life cycle, including other valuations such as design.*

# ESG risk monitoring - Social

## Aspects monitored

for recurrent supplies with defined minimum requirements

### Occupational health and safety:

- Certified management system (ISO 45001 / OSHAS 18001)
- Sanctions for non-compliance
- Work climate measurement

### Diversity:

- Equality Plan
- Diversity plan
- Programme to promote the recruitment of disabled persons
- Actions to attract and retain talent

### Community impact:

- Projects or actions with a positive impact on the community
- Volunteering
- Incorporation of responsible purchasing criteria in contracting processes.

## Control actions:

- Special employment centres
- Diversity training Training / Development ⓘ
- Enhancing the use of local suppliers
- Enabling channels for reporting bad practices or irregularities with own employees or subcontractors.
- Activation of social audits in risk situations.
- Of the 24 incidents handled in 2022 at 20 suppliers, none had a security impact.

## Country risk

The Third Party Due Diligence Guidance on Integrity and Human Rights establishes as a **high risk** country the country of the supplier whose geographical location where the provision of the good or service takes place, registered office or physical address or jurisdiction of the bank account:

- **In integrity:** score below 30 points according to [Transparency International](#) index
- **In human rights:** score below 7 according to the [Human Freedom](#) Index ([Cato Institute](#)).

## Control actions:

- 0% suppliers with headquarters or qualified factories for one or more supplies are located in countries in conflict.
- 100% of companies starting qualification process (factory approval) monitored with specialised market tool.
- Obligation to comply with contractual conditions in this area.
- In the event of findings that may impact Redeia: Opening of incidents / Activation of social audits (none in 2022).

	2022	2021	2020
<b>TOP 20 (Certified amount)</b>			
Spain	35,1%	38,2%	36,4%
E.U. (Italy)	7,3%	3,9%	2,1%
Others (Chile)	2,6%	5,6%	2,3%
<b>Total in the year</b>	<b>45%</b>	<b>45%</b>	<b>40%</b>
<b>%country at risk</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>

## Supplier portfolio status (headquarters/factories)

	Integrity	Human rights
No. of suppliers	0	20
% of total	0	0,91



## Compliance monitoring and control

In accordance with the Third Party Integrity and Human Rights Due Diligence Guidance and through continuous monitoring.

- 100% of suppliers qualified for recurrent supplies, who must meet minimum requirements (841 as of Dec.2022 which includes 100% of significant suppliers), are continuously monitored through questionnaires located on the REPRO platform shared with a community of companies to streamline and compare the level of risk in the domains:
  - Penal
  - Privacy
  - Cybersecurity
- Inherent risk monitored by specialised market tool

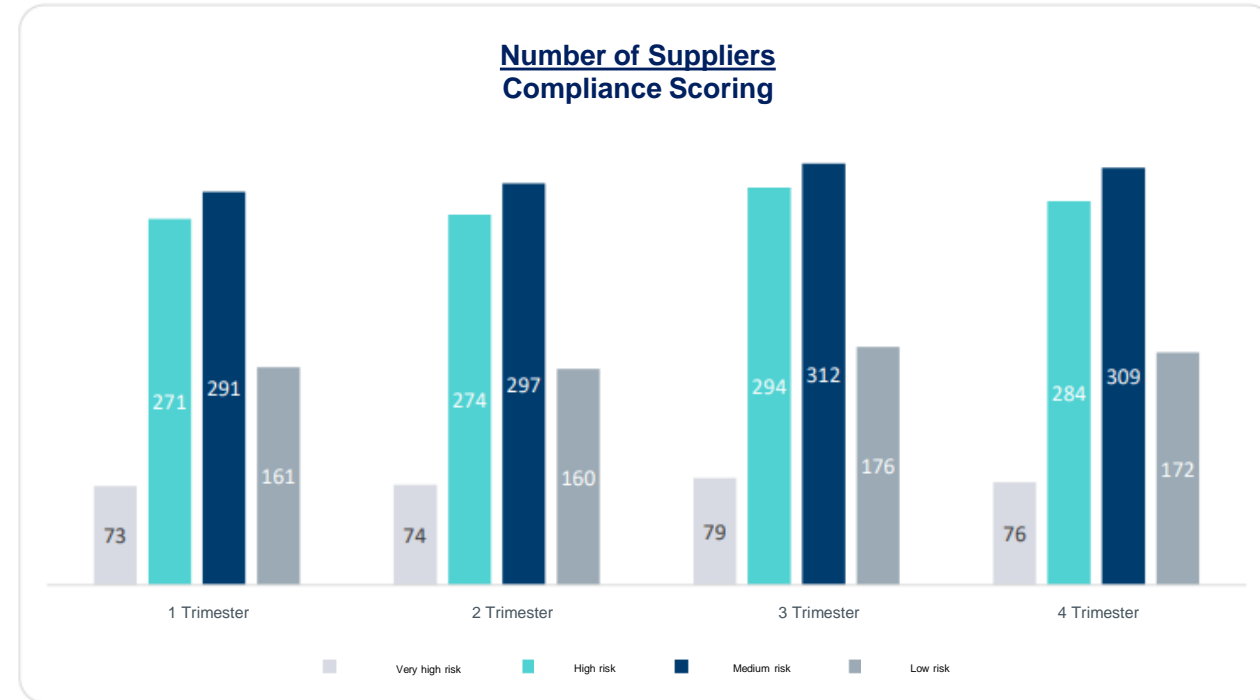
### Control actions:

- Social audits to ensure compliance with Supplier Code of Conduct obligations and Action Plans for resolution of major non-conformities.
- Awareness-raising forums / supplier development in the field.
- Development in the field of Privacy and Cybersecurity: Supply Chain Security Model.

Social Audits ⓘ

Training / Development ⓘ

Supply chain security model ⓘ



### Compliance

C	B	C	A
Compliance Global	Penal	Privacidad	Ciberseguridad
<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
<b>Low risk</b> The measures implemented are sufficiently effective to mitigate the current threat.	<b>Medium risk</b> There are significant threats that need to be reviewed and additional measures added to avoid their potential impact.	<b>High risk</b> High likelihood of significant impacts that requires immediate mitigation actions to avoid non-compliance and/or economic loss.	<b>Very high risk</b> The measures implemented are insufficient to avoid the current high degree of probability of non-compliance and/or economic losses.

This is done with an integrated view and continuous monitoring from the beginning of the supplier's qualification until the supplier is no longer in the database.

## Enterprise

(Monitoring through [PRORED](#) and [REPRO](#))

- Be up to date with payments to AEAT, Social Security, etc.
- Have civil liability insurance
- Company references for similar supplies (minimum requirements)
- Have the required capacity and resources (minimum required)

## Economic-Financial

(Monitoring through a specialised company [Axesor](#))

- Entry into insolvency or financial difficulties (scoring and solve Redeia  $\leq 1$ ).  
In this situation, the supplier is allowed to continue with the orders and course and participate in purchasing processes, controlling risk, except in the case of insolvency proceedings.
- Irregularities in payments to third parties

Monitored suppliers

**100%**

**100%**

Risk indicator (Closing 2022)

0 disqualifications for non-compliances detected

- 22 suppliers in financial difficulties (1% total qualified)
- 3 suppliers with incidents of non-payment to third parties (0.14% total qualified). All cases in the process of being resolved.

## Subcontracting (Tier-n)

### Non-tier 1 significant suppliers

Criterion	Number	Indicator
Subcontractors who carry out works during the year for an amount exceeding 100,000€.	75	8.4%

As **control mechanisms**, Redeia limits the maximum % of subcontracting and we ensure that working conditions are adequate in the approval process.

Subcontracting authorisation ⓘ

All suppliers, by accepting and complying with the [Code of Conduct for suppliers](#), which formalises the minimum ethical, social and environmental requirements, undertake to disseminate and promote responsible values and behaviour in the work and professional activity of the supplier companies in their different areas of action that make up their value chain.

### Figures

	2022	2021	2020
<b>Subcontracting management</b>			
Approved files	2,049	1,951	1,772
Companies subcontracted by suppliers	892	880	718
<b>Average time taken to process authorisation dossiers</b>	0.75 days	0.74 days	0.80 days
<b>Amount subcontracted/ Amount of orders subcontracted.</b>	3.7%	10.4%	1.0%

4.

## Assessment of customer and supplier SATISFACTION

# Level of internal and external satisfaction



## Internal customer

### Relationship framework between companies and Redeia's Supply Area

The service levels agreed between the two parties are generally within the established ranges.

RELATIONAL FRAMEWORK

	YEAR 2022	YEAR 2021
Relational framework indicators	38	38
Supply Area service levels	29	29
Above the target value	26	27
Level 100 %	14	15
Level <100 %	2	4
Service not required	10	8
Below the target value	2	2
Below the limit value	0	2
No calculated value	1	0
Customer commitments	9	9
Above the target value	0	2
Below the target value	9	7
Below the limit value	8	5

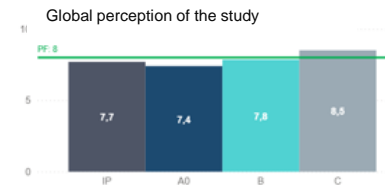


## Stakeholder Supplier

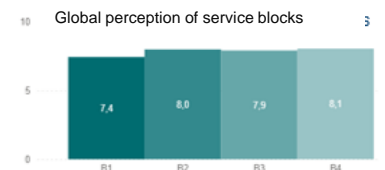
### Supplier perception study

The evaluation of the contribution made in 2022 (period 20-22) shows, with values very similar to previous years, **very solid bases in terms of collaboration, communication and exchange of information throughout the processes**, highlighting the experience and professionalism of its staff.

Redeia's priority is to continue promoting and expanding timely and efficient communication as key elements to maintain an increasingly better relationship with suppliers in all segments. In this regard, **it is important to improve the visibility of schedules and planning; to continue to streamline and provide clarity to tender processes; to strengthen communication with suppliers; and to progressively adapt platforms and IT applications to the demands of users and the process.**



IP: GI Perception Index  
 A0: Overall evaluation  
 B: Evaluation of services  
 C: Corporate Reputation



B1: Communication and information  
 B2: Development of activities / Collaborations  
 B3: Evaluation of processes  
 B4: Supply chain



C0: Global image  
 C1: Ethics and compliance  
 C2: Governance and Transparency  
 C3: Strategic Vision and Financial Strength  
 C4: Business Leadership  
 C5: Risk Management  
 C6: Innovation  
 C7: People Management  
 C8: Stakeholder Orientation  
 C9: Preservation and improvement of the environment  
 C10: Local development

Year	Perception global
2022	7.4
2020	7.6
2018	7.8
<i>Strength ≥ 8</i>	

## Action table 2020-2022

In 2022, in a commitment to the use of technology, all the training activities promoted by the Supply Area were carried out with its own resources, with no associated costs.

Forum / Performance	Content	Year	Participation / Assessment	Supplementary information
<b>Meeting on Electricity Planning 2021-2026</b>	Visibility to suppliers of more strategic supply needs and the challenges Redeia is facing	2022	88 participants from 61 supplier companies (rating 9/10)	
<b>Forum on Supply Chain Security</b>	Presentation of the model methodology, possible data security, physical and cybersecurity requirements for risk mitigation.	2022	68 participants from 58 supplier companies (rating 8/10)	
<b>Human Rights Training Session</b>	Future policy development, complementing the 2021 training programme	2022	329 participants from a total of 152 supplier companies (rating 9/10). In 2022, 132 supplier companies participated.	<b>Training and development</b> ⓘ
<b>Human Rights Training Programme. In collaboration with the Spanish Network of the United Nations Global Compact.</b>	Human rights management to help suppliers know and understand the principles, the regulatory framework; provide examples for developing a human rights policy and scorecard of human rights indicators and a model for recording human rights complaints.	2021		
<b>Diversity training programme. In collaboration with the Spanish Network of the United Nations Global Compact.</b>	Helping suppliers to integrate a culture of diversity and zero tolerance to any kind of violence or harassment, achieving real equality of opportunity for all people under the framework of the 2030 Agenda, allowing us to transfer our vision, principles and approach to diversity to our suppliers.	2021 - 2020		
<b>Forum on the Classification and Qualification Process</b>	To provide detailed information on the supplier classification and qualification process, the operation of the PRORED information support platform and to raise supplier awareness of the need to update information.	2021	180 participants (rating 9/10). All registrants (417 out of 361 supplier companies) were provided with supporting documentation.	
<b>Dissemination of Circularity Criteria</b>	Publication and communication campaign to the entire supplier portfolio on the circularity criteria.		100% suppliers (no valuation)	<b>Circularity criteria</b> ⓘ
<b>Regular sessions and webinars on a variety of topics</b>	Invitations to qualified suppliers for supplies of interest to discuss, in small groups, matters relating to: Safety in work on power lines and substations; use of specific information management platforms; cybersecurity, etc.	2022-2020		

5.

## ESG Action Plan for Suppliers

## The supplier as a protagonist

Scope	What does Redeia want?	How is Redeia going to do it?	What does Redeia expect from their suppliers?	How does it benefit you as a supplier?
Environment: <b>EMISSIONS</b>	Integrate direct information into the calculation of Scope 3 emissions <sup>(1)</sup> and set ambitious Scope 3 emission reduction commitments	Continuing the project already underway for the voluntary incorporation of suppliers	Active participation to develop or to define, in the most mature cases, SBTi objectives. <sup>(2)</sup>	Collaborative contribution to the SDGs
Environment: <b>CIRCULAR ECONOMY</b>	Efficiency in procurement (securing supply through efficient stock and warehouse management).	Providing the best available visibility of medium- to long-term needs (21-26 Electricity Transmission Grid Planning) Storage efficiency End-of-life (reuse/recycling)	Positioning as a strategic partner to share vision of production capacities and delivery times of needs.	Efficient deployment of in-house capabilities to meet Redeia's needs
Environment: <b>CIRCULAR ECONOMY</b>	Reduce raw material consumption and prioritise the use of recycled, recyclable or reusable materials.	Promoting eco-design, innovation and technological development	Proactiveness in communicating new initiatives and technologies	Collaborative contribution to the SDGs
Social: <b>TALENT SEARCH AND RETENTION</b>	Boosting diverse talent as a lever for innovation and transformation, empowering people to maintain their employability and by establishing the necessary strategy of retaining critical talent	Through an initiative that, as a 2023 objective, aims to promote the local supplier portfolio for at least 3 supplies, in a more complex geographical area for attracting and retaining talent such as the Canary Islands. Area-based procurement (Procurement strategies to favour local suppliers)	Proactivity in sharing initiatives or lessons learned in this area.	Increased employee satisfaction and increased quality of customer service.
Social: <b>CORPORATE SOCIAL RESPONSIBILITY</b>	Early identification of risks in the field of Corporate Social Responsibility, enabling action to be taken to minimise impacts.	Supplier monitoring in all ESG areas	Establishment of appropriate governance structures, processes. Registration in REPRO for proper monitoring and information support	Have an adequate ESG assessment to maintain Redeia's qualified status.

(1) Scope 3 emissions: Emissions from a company's value chain.

(2) SBTi targets (*Science Based Target initiative*): an initiative that provides science-based methods and tools to help organisations reduce greenhouse gas emissions.



## The supplier as a protagonist

Scope	What does Redeia want?	How is Redeia going to do it?	What does Redeia expect from their suppliers?	How does it benefit you as a supplier?
Governance: <b>DATA PROTECTION AND CYBER SECURITY</b>	Extend the security risk management model in the supply chain (cybersecurity, data security and physical security), carrying out risk mitigation actions in 20% of the supplies with risk treatment.	Continuing the model already in place in terms of risk calculation  Implementing development actions for less mature supply providers	Timely response and dispatch of questionnaires with the best available information  Active participation in the forums to be convened	To know your degree of maturity in relation to other qualified suppliers for the same supplies.  In the future, your best positioning in purchasing decisions
Governance: <b>DUE DILIGENCE</b> (Ethics and Compliance)	Minimisation of country risk in human rights and integrity of both suppliers and their factories.	Continuous monitoring	Commitment to extend integrity and human rights standards to all factories located in countries at risk.	Legal compliance Achieving the SDGs
<b>ESG Global Scope: SUSTAINABLE PURCHASING</b>	Define the sustainable procurement model for ESG criteria, considering the LCA analysis <sup>(3)</sup> of 2022, with implementation in the 4 supplies analysed in LCA in 2022.	Once the areas of consultation have been selected, qualified suppliers will receive a consultation questionnaire to identify their degree of maturity in achieving the standards to which Redeia aspires.  Progressive incorporation of sustainable criteria in purchasing decisions (environment, safety, diversity, ethics and compliance, etc.).  Optical portfolio with competence / Quickly executing test orders for the final qualification of new suppliers	Timely response and dispatch of questionnaires with the best available information	In the future, your best positioning for purchasing decisions  Legal compliance Achieving the SDGs

(3) LCA: Life Cycle Assessment

## Channels of communication

### Ethical channel:

The Ethics and Compliance Channel should be used to:



- Ask any questions on the interpretation of the Code's ethical values, principles and standards of conduct.
- Report any breaches of the Code, legislation, including criminal and anti-bribery legislation, internal regulations and commitments made by the organisation.
- Report any possible irregularities or non-compliance related to financial, accounting or commercial malpractice.

It is very important to make responsible use of the Ethics and Compliance Channel, in accordance with the principle of good faith, without it being used for purposes other than those established. No report will be made unless there is credible evidence of non-compliance with any of the values and ethical principles set out in the [Code of Ethics and Conduct](#).

Redeia makes its [Ethics and Compliance Channel](#) Management System available to stakeholders for the submission of queries and complaints.

During 2022, one complaint was made to the Ethics Manager and resolved following the implementation of the established action plan, with no impact on the rating status of the supplier concerned.

### Attention to the supplier:

ASA (Procurement Service and Support), which handles supplier queries, doubts and complaints associated with procurement processes, as well as clarifications regarding the content of the code of conduct.

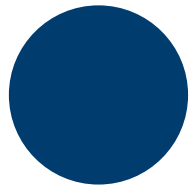
Contact by email: [asa@ree.es](mailto:asa@ree.es).

During 2022 Redeia has not received any human rights complaints through the ASA Services.

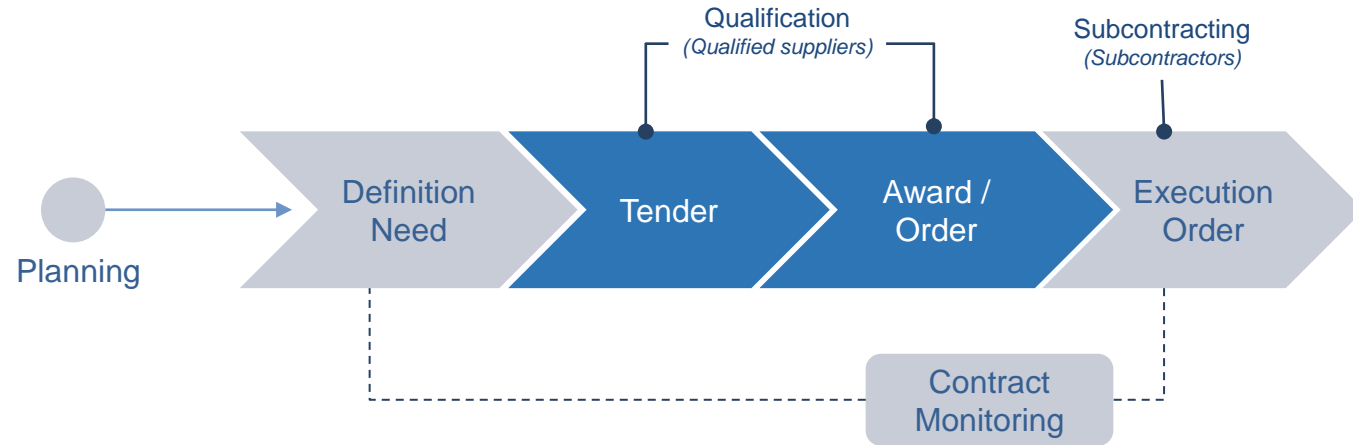
Year	Consultations attended	Average management time
2022	3.452	0.23 days
2021	2.445	0.32 days
2020	2.305	0.19 days

6.

## Annexes



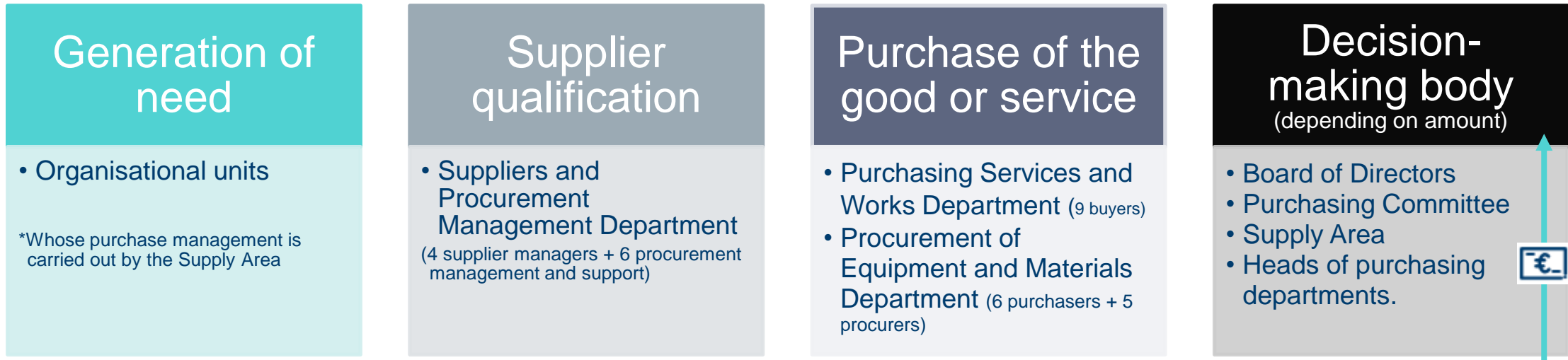
# Annex 1. Purchasing process (1/2)



- For purchases managed by the Supply Area, the process follows the [Sustainable Supply Chain Management Model](#), in compliance with the principles and regulatory framework. It also addresses the identification and implementation of continuous improvement levers and support in the pillars on which the activity is based.
- **100% of awardees are qualified suppliers.**
- For certain **supplies with a higher impact**, the **purchasing decision includes the TVO (Total Value Ownership) analysis** that incorporates ESG aspects: identification of materials; percentage of recyclability, reusability and carbon and water footprint in production, which allows the evaluation of design and serves as a reference for future operation and maintenance costs.
- **Pilot** incorporation of **ESG scoring as a tie-breaker** in certain tenders.
- **Target 2023:** Define the **sustainable procurement model** for ESG criteria, considering the 2022 LCA analysis, with implementation in the 4 supplies analysed in LCA in 2022.
- **Process audited periodically**, both internally and by auditors from independent bodies, to confirm correct compliance with the defined controls.

## Annex 1. Purchasing process (2/2)

The structure established for procurement complies with the pillar of segregation of duties and transparency in management, as set out in the Sustainable Supply Chain Management Model.



In order for the process to be carried out with maximum guarantees, **continuous training** mechanisms must be established both, in the purchasing process and in the rest of the areas of the supply chain:

- Integration plans with each new recruit.
- The processes are documented for standardised use in the internal regulations of the Supply Area.
- Participation in internal training sessions on ethics and compliance and information security and cybersecurity.
- Internal training sessions, either on the global procurement process or on a specific process that, at the request of an area, so requires.
- Attendance at specific forums (AERCE; CPOnet, etc.)

## Annex 2. Relevant actions 2022 in supply chain (1/4)

### Strategic line: EFFICIENCY

#### Continuous process improvement:

- Adequate management of the information from the 21-26 Electricity Transmission Grid Planning to translate it into demand needs: equipment, materials and services.

#### Supply chain security risk management models:

- The supply chain security risk management model has been developed and implemented in 10 supply families with high inherent risk.
- Risk mitigation actions have been developed for non-mature markets, in the framework of a forum attended by 58 suppliers (24% of those convened).

#### Incorporation of efficiencies in stock management:

- The stock categorised as "excess" in warehouses has been reduced by 98%, which frees up warehouse space, improves minimum coverage and avoids unnecessary purchases, improving data quality.

#### Recruitment models:

- The procurement strategies for equipment and materials resulting from the Kraljic matrix \* (GIS / Switchgear / Supports / Disconnectors) have been reviewed and approved.
- The contracting strategies for the strategic services resulting from the Kraljic matrix (Overhead Line Construction Services / Optional Management) have been reviewed and approved.
- A model framework agreement has been developed for the procurement of spare parts from stock, reducing management times.

\* Kraljic Matrix: Procurement management tool to classify materials and services, risks and impact for the company and to define strategies.

### Strategic line: INNOVATION AND TECHNOLOGY

#### Incorporation of technological advances and improvement of tools:

- The impacts of the future migration to SAP4HANA have been analysed.
- The functional requirements have been defined and the technical specifications to be required for the application that will replace the current procurement portal have been drawn up.
- Information requirements have been defined and proofs of concept have been carried out on future media (Data Lake and BW). The 2023 implementation plan has been defined.
- Other efficiencies have been identified such as: functional improvements in the RPA to be implemented in the Awarding Project; automation of order creation in case of changes of CIF and orders without proposal, incorporation of the data lake in the equipment and materials procurement dashboard, etc.
- Completed 116 actions of improvements/corrections in applications associated with the supply chain.
- Development of indicators associated with planning and purchasing management agreed with the planning unit and creation of a scorecard containing these indicators, shared with all the areas with which planning works.
- Review of the operational process of incident management, evolving the supplier classification and qualification system with the implementation of an improvement so that the process is managed through PRORED, allowing the consultation and incorporation of information from the areas involved in the process.
- Collaboration in the improvement of investment project budgeting algorithms.
- Scorecard for monitoring the coverage of materials and equipment needs.
- Risk situation scorecard of material requirements.
- Implementation of the model for tracking the origin and delivery date of orders in manufacturing.
- Implementation of the predictive model (historical consumption forecast) for spare parts.
- The data lake has been incorporated into the equipment and materials procurement dashboard.

### Strategic line: Sustainability

- Information to the Sustainability Area for the calculation of the carbon footprint in leasing and purchase of real estate (buildings and land).
- Continuation of the collaboration programme to reduce the carbon footprint of the supply chain. Actions with 25 suppliers, according to maturity for footprint calculation and definition of SBTi (Science Based Targets initiative) reduction targets.
- Pilot to identify potential criteria/requirements in terms of circularity and climate change to be included in tenders. Information has been requested from suppliers in order to ascertain their degree of maturity and, based on the results obtained, the criteria to be included in future purchasing processes have been defined.
- Pilot incorporation of ESG scoring as a tie-breaker in tenders.



# Annex 3. Changes in supplier qualification status

## Incidents that can change the states of qualification

- The **opening of** incidents in PRORED is carried out as a result of continuous risk monitoring, or at the request of the contract or order management unit, in accordance with internal regulations.
- The **analysis** of incidents is carried out independently of the management of each order/contract.
- Such action **does not, by default, imply changes in rating statuses.**
- When an incident requires **action to** remedy the situation, the supplier may define an action plan that must be agreed with GRE and validated by both parties. **The units that manage purchases are responsible for monitoring compliance with the contract or order and, if necessary, agreeing a plan with the supplier.**
- **Compliance with the actions** for the resolution of the incident will lead to its closure or, if not, to changes in the rating status, in accordance with the provisions of the internal regulations.
- In addition, the application of financial penalties and, where appropriate, the early termination of the specific order/contract is assessed, in accordance with the provisions of the Contractual Documentation.

Implications					
Changes in rating status	Continue with ongoing goods or services	Participate in new tenders	Successful tenderer	Acting as a contractor	Review at the level of: - Supplier - Qualified good or service
<b>Warning</b>	YES	YES	YES	YES	Once the deadline for remedying the situation has passed, a possible change of status will be assessed. Before the deadline has passed and the situation has been remedied, a possible change of qualification status shall be assessed at the request of the purchasing unit and/or organisational unit.
<b>Blocking</b>	YES	NO	NO	NO	
<b>Disqualification</b>	NO	NO	NO	NO	You lose your qualification. You will not be able to reapply for the qualification until you have passed the established time and to obtain it again you will have to start the qualification process and pass all the requirements.

# Annex 4. Supply chain security model (1/3)

## Context



The security risk management model in the procurement / supply chain is a **transversal objective of the company**, which is applied to the **services** contracted by Redeia and may entail **transferring security requirements to suppliers and their possible subcontractors in order to reduce risks.**



### What is to be achieved?

- To manage the security risk associated with procurement in order to **guarantee the continuity of the services** Redeia provides to society and to achieve its objectives.
- The implementation of the model as a **differentiating element that provides value and seeks excellence.**



### How is it being implemented?

- **Progressive agile implementation** of the management model, making adaptations and improvements as it progresses.
- The **requirements** shall always be **appropriate** to the characteristics of the **supply and proportionate to the level of risk.**
- It is intended to **cover all supplies considered** safety-critical.

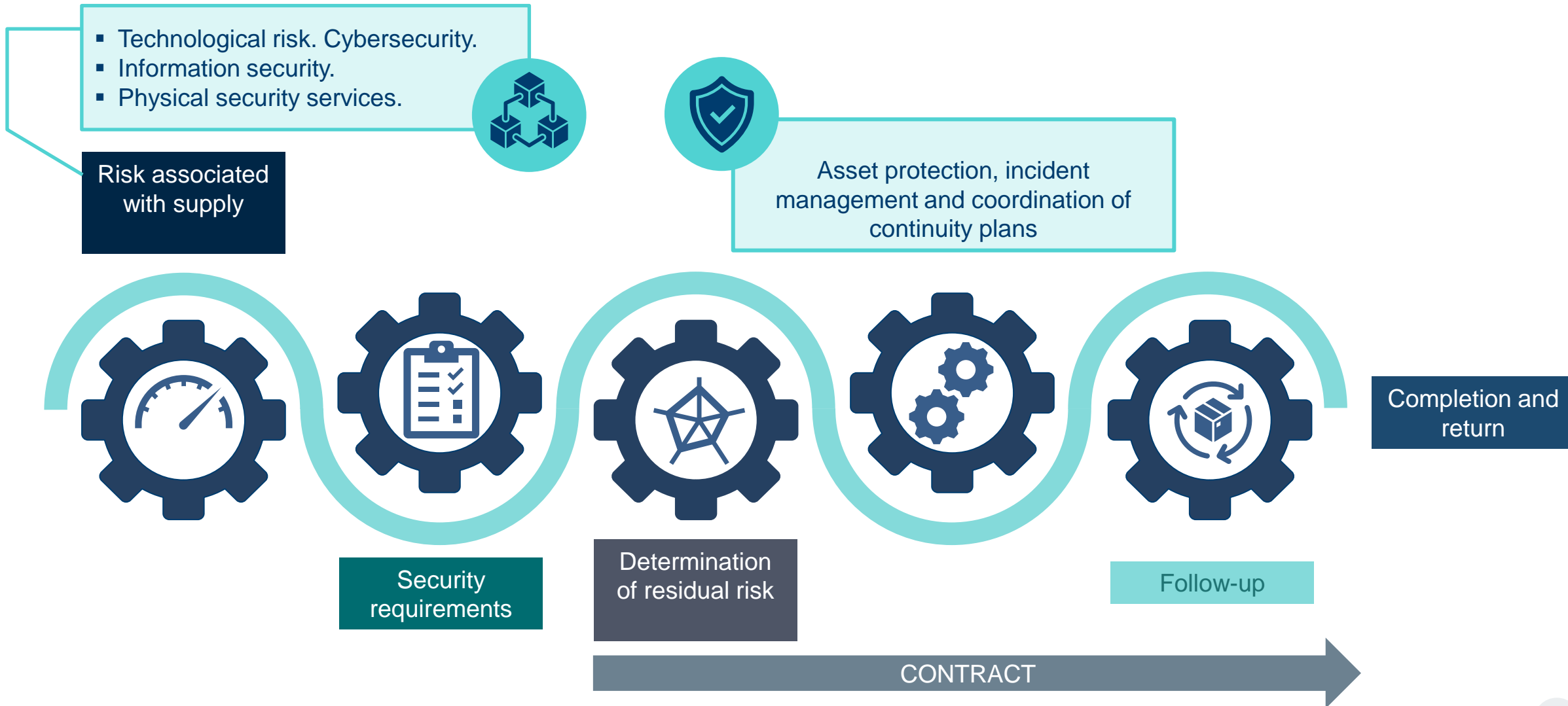


### What do we expect from our suppliers?

- The effectiveness of security measures is a **shared responsibility with suppliers.**
- Importance of **training and awareness-raising** in information security and secure use of technology.

# Annex 4. Supply chain security model (2/3)

## Risk Security in the supply chain (Redeia's own model)\*.



# Annex 4. Supply chain security model (3/3)

## Analysis

2019-2020

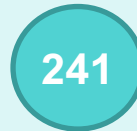
● Development and customisation of the supply chain security management model. Carrying out **2 proofs of concept**

2021-2022

● Deployment and implementation of the supply chain security management model.



**163**  
Procurements for which implementation is foreseen in the period June 2022 - Dec 2023, according to the Procurement Plan of January 2022.



**241**  
Suppliers contacted (88 with recurrence in more than one contracting)



**61%**  
Participation rate in the implementation of the model

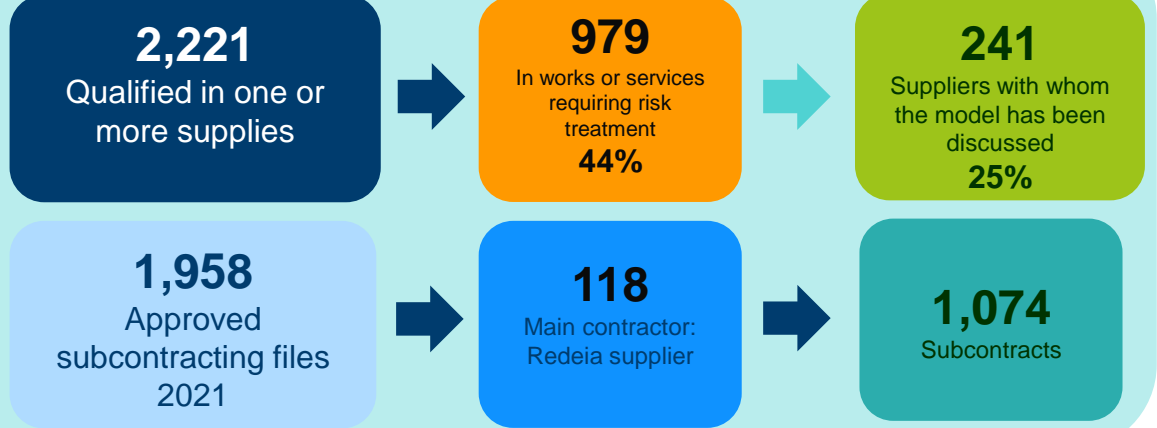
### Supplies (397)



The model does not currently apply to materials



### Suppliers (2,221)



## Annex 5. Social audits

### Target

Review compliance with the **Supplier Code of Conduct of higher risk** suppliers:

- REPRO-registered suppliers of recurrent supplies that have defined minimum requirements
- With turnover > 10 kEUR in the last 3 years.
- High risk: in ESG, due to a high number of security incidents (internal platform) or due to complaints through the channels enabled in Redeia.

### Execution

Audits carried out by **independent auditors from Achilles (REPRO)** with **protocol validated by the REPRO Community and checked by the Internal audits Department of Redeia's alignment with the Supplier Code of Conduct.**

### Result

The result is monitored. Refusal to carry out an audit or failure to resolve major non-conformities detected in a timely manner may lead to a change in the supplier's qualification status for the supplies for which it is qualified in Redeia.

	2022	2021	2020
<b>Audited suppliers <sup>(1)</sup></b>	<b>64</b>	<b>35</b>	<b>45</b>
By ESG risks identified $\geq 2$	26	10	13
For possible non-compliance Code of Conduct for suppliers	1	1	0
For being audited at the request of other companies in the REPRO community	37	24	32
<b>Suppliers with open major non-conformities</b>	<b>16</b>	<b>5</b>	<b>18</b>
<b>Action plans defined for resolution of major non-conformities</b>	<b>29</b>	<b>7</b>	<b>38</b>
Corrective actions resolved (for 10 suppliers)	22	3	31
Open corrective actions (corresponding to 6 suppliers) <sup>(1)</sup>	7	4	7

(1) An Action Plan is considered an open Action Plan as long as any major non-conformities remain open.

# redeia

El valor de lo esencial

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