

SUSTAINABLE PROCUREMENT CSR 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 €16 billion in 2022 excluding energy purchases per year, the Procurement function has a leading role in the ENGIE’s value chain and its CSR objectives achievement.

1 SUSTAINABILITY IS PART OF THE PROCUREMENT DNA

Beyond contributing to the Group’s operational performance, the procurement function is a key lever for meeting its objectives of carbon neutrality, inclusivity, diversity and ethics. In 2022, the procurement function has developed and managed a panel of ~65 000 active suppliers (90% European) to maintain the sustainability of its supply chain.

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

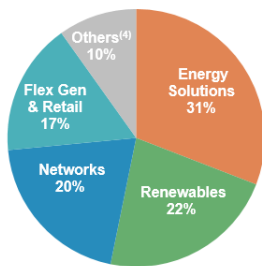
In accordance with the provisions of the Sapin II law and the law relating to the duty of vigilance of parent companies, ENGIE Group Procurement Department has established, published and effectively implemented adapted measures to identify risks and prevent severe abuses to human rights, fundamental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

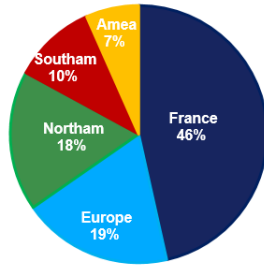


The group Procurement Department is a lead actor of the Vigilance Plan together with the Ethics, Compliance & Privacy Department, the Global Care Department and the Corporate Social Responsibility Department.

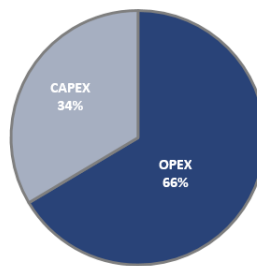
2 PROCUREMENT AT ENGIE – KEY FIGURES (2022)



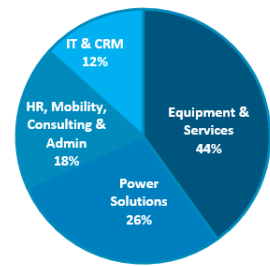
Per GBUs
Smart 2022 ⁽¹⁾



Per HUBs
Smart 2022 ⁽¹⁾



OPEX vs CAPEX
Smart 2022 ⁽¹⁾



PER CATEGORY SET
Pic 2022* ⁽²⁾

(1) M2 Smart 2022 excluding Intercos & Energy
(2) PIC 2022 – update March,31st 2023
(3) URD 2022
(4) Other : Corp,GBS, GEMS & Nuke

2.1 ENGIE is a key player in inclusive business in FRANCE



*Excluding Companies belonging to a large Group

3 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,
- an organization driven by the procurement category management and reinforced by a matrix organization in entities,
- 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 suppliers in all business segments. In 2020, the Group Purchasing Department set two CSR goals: Decarbonization of main suppliers and Development of Responsible Procurement.

3.1 CSR Objectives progress

Objectif title	Criterion	2025 Objective	2030 Objective	2022	2021	2020
1-Decarbonization of the main suppliers	Top 250 Preferred Suppliers aligned or certified SBT	25%	100%	23%	20%	15%
	CSR assessment of suppliers measured by the percentage of preferred suppliers and major suppliers with an ECOVADIS rating higher than "managed CSR risk"	70%	100%	24%	25%	20%
2- Developing Responsible Procurement	Promotion of inclusive Procurement measured by the share of inclusive procurement aligned with the GT3 recommendations. A working group made up of French companies (BnpParibas, Accor, Crédit Agricole, Danone, etc.)	60%	100%	70%	40%	30%

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

3.2 A management system serving CSR objectives

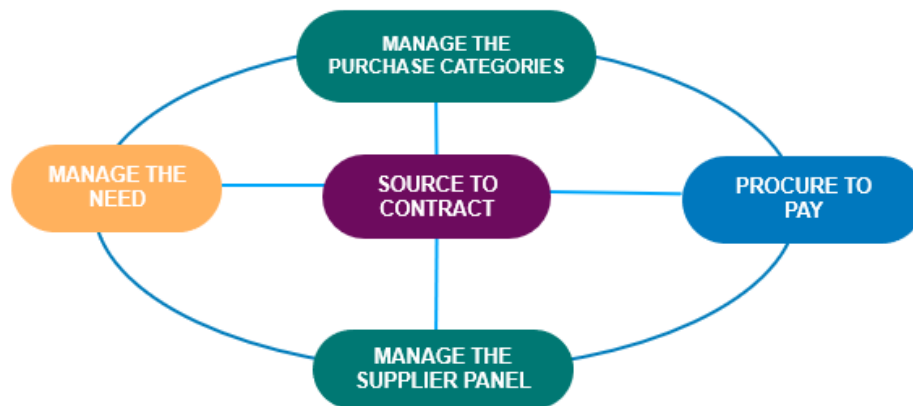
To achieve its objectives, the procurement Department has deployed a robust management system compliant with legal requirements that is transcribed in two governing documents:

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,
- 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;

1.2 A new Procurement Governance: document defining Group-wide principles for the management of external expenditure and setting out 14 key rules applicable to the procurement Function. This new version aims to reinforce the separation of tasks between buyers and purchasing advisers, while encouraging their cooperation when selecting the best offerings. It also put forward the CSR evaluation and the Due Diligence process that must be conducted for all key suppliers.

The requirements of these two documents, as well as the Group’s more general requirements, are translated in the following 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.”

In 2022, a new **Inclusive Procurement Policy** was signed between Group procurement Department and the HR Department to foster purchases from inclusive businesses.

3.3 Monitoring the deployment

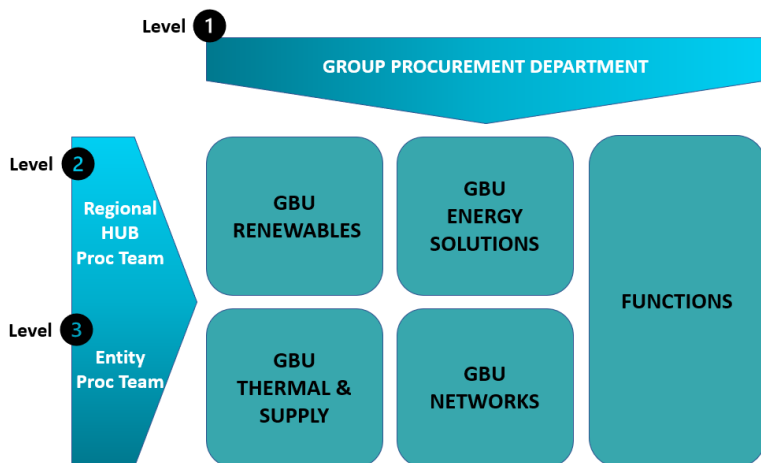
The proper implementation of these processes is verified via the INCOME internal control program. With 28 different controls, the INCOME PRO reference system covers all purchasing processes.

4 A PROCUREMENT ORGANIZATION DEDICATED TO CSR OBJECTIVES

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

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).

Dedicated Procurement Business Partners take over the coordination with GBUs’ and Support functions’ management, acting as single points of contact.

5 A TRAINING PROGRAM FOCUSING ON CSR THEMES

An ambitious ethics training program ensures the effective implementation of the management system and the organisation throughout the Group's entities. In 2022, the training plan focused on:

- the implementation of a due diligence policy for suppliers and subcontractors within the entities;
- ethics and supplier relations;
- 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".

6 SUPPLIERS CSR ASSESSMENT

Since the end of 2018, the Group Procurement Department has been entrusting an external provider (ECOVADIS) to evaluate key suppliers* over four themes (Environment, Work and Human Rights, Ethics and Sustainable Purchasing). This panel of circa 1500 suppliers is spread over nearly 31 countries and represent 38% of the total spend (16 Billion Euros).

To date (May 2023), the overall score of assessed suppliers is 54,7/100 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.

**Key suppliers panel is made up of 618 Preferred Suppliers managed by Group Managers and 945 Major suppliers managed locally by ENGIE's entities.*

6.1 EcoVadis methodology

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

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

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

6.2 Specific requirements for Preferred and Major ¹Suppliers

In compliance with the operational process “Manage the Supplier Panel”, 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 2023, the due diligence program launched in 2021 towards SOLAR equipment’s’ supply chain has been renewed and extended to wind turbines’ Preferred suppliers to assess the risk of forced labor in China. This program supported by Due Diligence third parties is completed by a questionnaire sent to each tier 1 suppliers. ENGIE is expecting a statement from its suppliers on the rejection of any human rights violation and a ²comprehensive list of non-tier 1 subcontractors.

In addition, ENGIE has focused over the last few months on suppliers located or having links with Russia in the context of war in Ukraine. A mailing has been sent to all ENGIE key suppliers (Preferred and Major Supplier) to assess the impact of the embargo and identify suppliers at risk.

This survey supplements the Internal Control process which includes a dedicated tool directly connected to ENGIE’s ERPs. HIGHBOND (provided by DILIGENT Inc) identifies all suppliers located in countries under embargo or based in tax havens and triggers alerts to the entities’ buyers and the Ethics, Compliance and Privacy Department.

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

¹ A Preferred supplier is defined for a Group Category under a Category Manager’s responsibility. They are identified at parent company level . A Major supplier is defined at CPO’s level under his/her responsibility and considered at subsidiary level (legal entity level)

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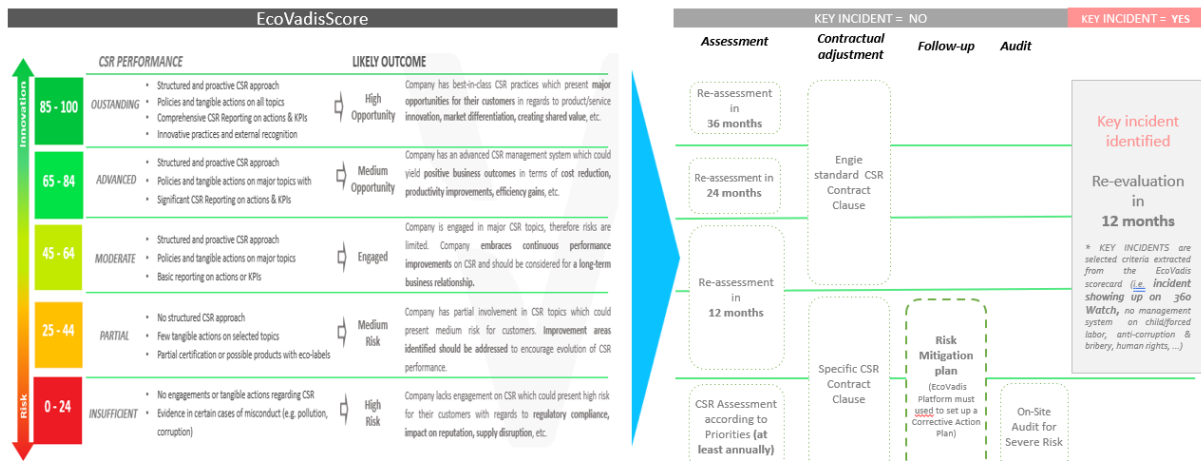
score of 45 has been set to define a list of Preferred and Major suppliers critical CSR wise. This list is maintained by at the Group level but also at entity level.

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.

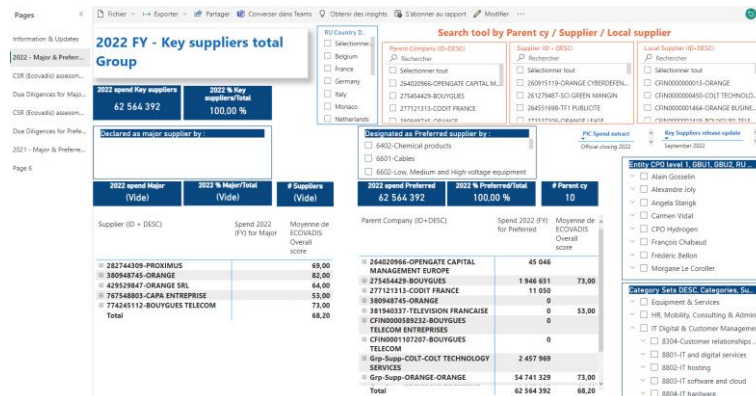
SUPPLIER RISK MANAGEMENT BASED ON SUPPLIER SCORECARD



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

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 subject to a monitoring by the Group Procurement Department via a PowerBi dashboard available for all the Procurement Function.



6.4 Rolling out suppliers CSR evaluation across the procurement function

Getting key suppliers assessed by EcoVadis may be challenging in some geographies, especially with smaller suppliers with little CSR awareness. In addition, the procurement function being spread in multiple entities in many different countries, it is also difficult to train all buyers on CSR key principles and EcoVadis methodology. 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. None compliance with this clause is a cause of contract termination.

6.5 Due diligence

In accordance, with the Procurement Charter and the Due Diligence Policy, the Group’s new preferred and major suppliers are automatically assessed by the procurement line via due diligence carried out by the Category Managers and Chief Procurement Officers before contracting takes place. Since 2019 this rule has been gradually extended to cover a panel of 1,563 recurring suppliers, representing 38% of expenditure excluding energy. In 2022, the procurement line launched an ethics assessment by EcoVadis of around 400 preferred and major suppliers. The objective monitored by the procurement line is to assess around an additional 250 to 300 preferred and major suppliers each year.

6.6 Procurement Risk mapping

As part of the management of the supply chain risks, the Procurement function has been developing a risk matrix covering its 62 procurement categories. Knowledge of markets and suppliers allows Global Category Managers to draw up a matrix together with ECOVADIS. This matrix, which combines the CSR risk of each category with the country risk, makes possible, where necessary, the definition of risk management plans and specific supplier qualification criteria.

In 2023, six procurement categories are considered high risk : Engineering / turnkey installation, Solar Equipment, Wind turbines, Work Wear and Low Medium and High Voltage Equipment.

7 CSR RATINGS SUPPORTED BY THE PROCUREMENT PERFORMANCE

The ECOVADIS rating agency assessed the Group in 2022 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)

About ENGIE

ENGIE is a global reference in low-carbon energy and services. With its 96,000 employees, its customers, partners and stakeholders, the Group is committed to accelerate the transition towards a carbon-neutral world, through reduced energy consumption and more environmentally-friendly solutions. Inspired by its purpose (“raison d’être”), ENGIE reconciles economic performance with a positive impact on people and the planet, building on its key businesses (gas, renewable energy, services) to offer competitive solutions to its customers. Turnover in 2022: 93.9 billion Euros. The Group is listed on the Paris and Brussels stock exchanges (ENGI) and is represented in the main financial indices (CAC 40, Euronext 100, FTSE Euro 100, MSCI Europe) and non-financial indices (DJSI World, Euronext Vigeo Eiris - Europe 120 / France 20, MSCI EMU ESG screened, MSCI EUROPE ESG Universal Select, Stoxx Europe 600 ESG-X).