

Supplier Sustainability Assessment Model



Why is supplier sustainability important to Iberdrola?



SPECIFIC TARGET FOR 85% 2023-2025

Sustainability is a key value for Iberdrola, both because of the demands and assessments made by our stakeholders (shareholders, financial institutions, customers, etc.), which help us to positively differentiate ourselves, and also because of our own sense of corporate responsibility by contributing to improving the society in which we live, which is in Iberdrola's DNA.

The Iberdrola group has assumed the ambitious **undertaking that 85% of its collaborator companies must be subject to sustainable development policies and standards by 2025.**

How do we do it?

We apply our **own model** supported by a **global supplier management platform** that **enables us to measure supplier sustainability to be able to use this parameter** in the procurement **decision-making** processes. We help suppliers who do not reach adequate levels by sending them an **improvement proposal**.

1

MODEL



2

PLATFORM



3

MEASUREMENT



INTEGRATED IN PROCUREMENT DECISION-MAKING



IMPROVEMENT PLANS

Model

The Iberdrola Procurement Division has designed its own model to assess the positioning and development of each main supplier based on the three main components of Sustainability: environmental, social and governance (ethical and compliance), aligned with the principles of our Code of Ethics. The model has been agreed to by internal stakeholders: the Departments of ESG, Compliance, Innovation Sustainability and Quality, and has also been validated by Forética, an external organization specialized in this area.

What is our sustainability assessment model?

The model measures 43 ESG-related variables within the following three ESG areas:

Environmental

- Environmental Policy
- Emissions
- Biodiversity
- Water Management
- Circular Economy

Social

- Human Rights
- Diversity
- Management Systems
- Contribution to Society
- Reporting

Governance

- Policies
- SDGs
- Ethics and Compliance
- Sanctions
- Stakeholders
- Supply Chain

Examples of ESG factors assessed

ENVIRONMENTAL SCORE

- An environmental policy
- A documented and/or certified environmental management system (ISO 14001 or equivalent)
- Greenhouse gas calculation and/or a certification (ISO 14064 or equivalent)
- Greenhouse gas reduction measurements or objectives
- Good water management measures

SOCIAL SCORE

GOVERNANCE SCORE

- A corporate social responsibility policy (CSR)
- Own code of ethics or conduct and a compliance system
- ESG standards included in suppliers and third parties classification and evaluation system
- Communication channels with stakeholders

PLATFORM

We have selected the GoSupply cloud solution as our system for the classification and measurement of suppliers' risks and sustainability. Each supplier's ESG score is calculated based on information supplied by the suppliers themselves and third parties.

MEASUREMENT

The Iberdrola group has assumed the ambitious commitment that 85% of its main collaborator companies must be subject to sustainable development policies and standards by 2025.

Requirement: **E** ≥30% **S** ≥30% **G** ≥30%

UPDATE

We use GoSupply to assess and drive our supply chain to achieve higher sustainability standards.

INTEGRATION IN PROCUREMENT DECISION-MAKING

Our suppliers' ESG score is part of the IBUY process, the Iberdrola Procurement platform. Our buyers analyse the score along with the other risks at key points in the process (invitation to take part in a tender process, closing negotiations and awards). In the mid-term, companies that do not reach the required standards run the risk of being dropped as Iberdrola suppliers.

Improvement plans

We drive our suppliers to be **more sustainable**. We give suppliers that are technically valid and economically competitive the opportunity to comply with ESG aspects.

We send **customised improvement plans** to suppliers whose level of compliance is not adequate for a long-term relationship with Iberdrola.

During the period **2020-2022**, we have sent **more than 1000 plans with more than 50 % success** (suppliers that improved until they are deemed sustainable).



SUSTAINABLE PROCUREMENT

