



4.8 Supply chain [GRI 103-1, GRI 103-2, GRI 103-3]

Supply chain management is an increasingly critical point in the company's management. Appropriate supply chain management allows us to identify and manage the risks (regulatory, operational, reputational, etc.) associated with it, and to make good use of opportunities for

collaboration and value creation shared with our suppliers.

A key focal point in the management of our supply chain is greater knowledge of our suppliers, which allows us to take advantage of opportunities for

collaboration and share value creation with them. Likewise, greater information on our supply chain enables us to identify and manage the associated risks more efficiently.

Milestones 2017

- ✓ Incorporation of the criteria of work-life balance, disability and ethical compliance in the review of supplier approval procedures.
- ✓ Identification and dialogue with suppliers for the development of collaborative actions within the framework of the corporate entrepreneurship programme.
- ✓ Auditing critical suppliers through participation in the Achilles working group.
- ✓ Extension of reliability analysis to new product and service categories and implementation of an electronic assessment module for this purpose.
- ✓ Implementation of control tools to identify and evaluate the reputational risks associated with our suppliers and to minimise their impact on the company.

Targets 2018

- ✓ Definition of a supplier information integration form, which includes:
 - Definition of the level of environmental, social and ethical (ESE) risks for product and service families and for their suppliers.
 - Definition and implementation of approval requirements in accordance with the level of risk shown by suppliers.
 - Monitoring and updating of supplier information.
 - Integration of all supplier information (approval, reliability, ESG assessments, etc.) into a single and visible database for all users of this information.
- ✓ Hosting new, open innovation encounters with suppliers.

1,356
approved suppliers

55
suppliers audited in financial, ethical, environmental and social fields

10.1%
of orders assessed in reliability analysis

69.5%
of approved suppliers are critical

50.8%
of approved suppliers assessed in accordance with CSR criteria

Our supply chain [GRI 102-9]

In order to work with Enagás, suppliers must undergo a strict approval process. The company currently works with 1,356 approved suppliers, which are classified in families according to the products or services they offer^(*).

- Suppliers of works and services: IT & communication suppliers, engineering, etc. In 2017, 676 service providers carried out work at Enagás facilities.

[GRI 102-8]

- Suppliers of supplies: electrical equipment suppliers, piping manufacturers, rotary machine manufacturers, manufacturers of instrumentation and control devices, among others.

Product and service families are classified into levels according to the impact on the safety of the company's operations

resulting from poor functioning or poor service. Product and service suppliers whose failure or service implies a greater impact on the company's operations are classified as major or critical (levels 1 and 2).

Enagás has 943 approved major suppliers. In 2017, we began working with 16 new suppliers and stopped working with 10 suppliers because they discontinued their activity, merged with third parties or for breach of contract. [GRI 102-10]

(*) The amount corresponding to orders by the GNL Quintero plant in Chile account for 0.007% of the Enagás total, therefore this chapter does not include the information relative to the GNL Quintero supply chain. Supply chain management in Chile follows similar approval and environmental, social and ethical assessment processes to those described in this chapter.

In order to work with Enagás, suppliers must undergo a strict approval process

Volume of supplier management [GRI 204-1]

	Works and services	Supplies
Number of orders	3,524 (97% of which were local)	5,360 (99% of which were local)
Order value (€Mn)	95.7 (88% of which were local)	24.9 (79% of which was local)

In 2018 Enagás has been working on a new system for classifying product and service families that takes into account their level of economic, social and environmental risk.

Supply chain risk management

Enagás has identified areas in supply chain management where there may be risks for the business and our stakeholders. These areas, which cover both economic and ESE aspects, form the basis for the assessments we perform on our suppliers in the different procurement processes. The areas analysed are: [\[GRI 308-2, GRI 414-2\]](#)

- Product and/or service quality.
- Financial situation, civil liability, economic dependence on Enagás.
- Health and safety
- Ethics and compliance: penal risks, ethical compliance, legal compliance, responsible tax practice.
- Human rights: labour rights (diversity, work-life balance, gender equality), respect for the principles of the United

Nations Global Compact and the Universal Declaration of Human Rights, human rights compliance in the actual supply chain.

- Environment: emission intensity, environmental impact (resource consumption, waste generation, noise emissions, gas emissions, etc.), environmental safety (discharges, spills, pollution, etc.).

The following requirements are set out in the supplier approval process:

- Capacity and resources to meet technical, quality, environmental and safety requirements, and upholding thereof over an extended period of time.
- Observance of the principles of the United Nations Global Compact and the Universal Declaration of Human Rights.

- Requirement for certifications for suppliers of certain product or service families: quality (required from 52% of critical suppliers), environment (required from 27% of critical suppliers) and occupational risk prevention (required from 23% of Enagás' critical suppliers).

During contract execution, Enagás evaluates critical suppliers in the previously mentioned areas using different assessment methods. The results obtained allow suppliers to be identified where they pose a high risk to sustainability, and to define action plans in order to mitigate this risk.

Evaluation methodology [GRI 102-21]	Number of suppliers assessed in the last two years (*) [GRI 308-1, GRI 414-1]	Definition of high risk	Number of suppliers identified as high risk
Questionnaire to assess reliability	320	Suppliers with a score less than 50/100	15
Electronic questionnaire on ESE aspects	145	Suppliers with a score less than 30/100	6
Consultation on ethics and compliance on reputational analysis platforms	364	Suppliers involved in legal non-compliance	16
Internal evaluation			
Electronic questionnaire on climate change management	107	Suppliers that do no measure or report their emissions	32
Environmental audits on construction sites	16	Suppliers with major non-conformities	13
Documentary safety audits on suppliers performing work on installations	63	Suppliers with unfavourable audits	21
External evaluation			
Electronic questionnaire on financial and ESE aspects	1,198	Suppliers with a score less than 50/100	370
Audits on financial and ESE aspects	55	Suppliers with non-conformities	34

(*) The result of the evaluations are considered to have a validity of 2 years.

Collaboration with suppliers

The goal of Enagás' Suppliers Circle initiative is to identify and develop collaboration projects with our suppliers.

We thus contemplate the likelihood that new, non-approved suppliers can participate in the initiative through collaborations that involve new business

opportunities and/or undertaking projects related to efficiency, sustainability and innovation.

This initiative is linked to the company's corporate entrepreneurship programme (see the chapter on '[Financial and Operational Excellence](#)').

Enagás works with its suppliers to develop collaboration initiatives directed towards innovation and entrepreneurship

■ Acknowledgement in the Purchasing Diamond prizes

In 2017, Enagás was acknowledged, for the four year in a row, in the 'Purchasing Diamond' prize event in its eighth edition, organised by the Spanish Association of Purchasing, Contracting and Procurement Professionals (AERCE), with a consolation prize in the strategy category and a special mention in the innovation category.

