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# Integrating ESG in supplier approval for a more responsible supply chain

## New Platform

**In 2024, work was done to launch a new supplier approval platform. What does the use of this new tool entail? How has it been adapted to the Corporate Sustainability Due Diligence Directive (CS3D)?**

At Aqualia, we needed a more active and global platform to evaluate our suppliers not only in ethics and regulatory compliance but also in environmental and social aspects. In this sense, the new platform is important for integrating ESG aspects into the approval process.

To this end, we have developed a much more detailed questionnaire on these issues, which will allow us to better assess the risks and performance of our suppliers in this area.

Developing this platform has involved intense work of reviewing and improving our processes, in which the work and collaboration between different Aqualia departments must be highlighted, as supplier approval involves other aspects —beyond sustainability— such as financial and compliance. It has also allowed us to incorporate new controls such as geopolitical origin.

The platform is a very relevant tool in a context marked by the Due Diligence Directive. This

regulation seeks to encourage companies to promote a more responsible supply chain that shares our environmental, social, and governance goals. From this premise, the first step is to properly identify these ESG risks and evaluate them to implement improvements. It is a first step that brings us closer to the CS3D objectives.

## Implementation by Countries

**Why did it start in Spain and Colombia? How is it being implemented or planned to be implemented in other countries?**

We started in Spain because it is the country that works with the largest volume of suppliers, and in the case of Colombia because it has made significant progress in compliance issues and due to its familiarity with the previous platform.

The new platform is conceived as a global tool and, as such, we want to implement it in other territories in the future. It will be a gradual process in which we will analyse which countries might be ready to incorporate it. The reception so far has been positive and, looking ahead to its arrival in other countries, we are aware that different regulations and cultures will influence the process, but we also believe that collaboration and tailored adaptation in each case always smooth the way.

In any case, our priority now is to perfect the platform's operation and analyse the information it provides. That is what focuses our efforts: knowing that this data is what we need to have a more detailed understanding of our suppliers.

## Supplier Training

**One of the milestones of the year has been ESG training for suppliers, an ambitious project aimed at 365 companies working with Aqualia in Spain. Why is this initiative important for consolidating a responsible supply chain?**

It is unthinkable to achieve our sustainability goals without a supply chain that also shares them. And that is a path where companies need support and knowledge. That is why we proposed the training with a dual objective: to make our commitments known to our suppliers and to share information on the general concepts that set the pace in the ESG agenda.

**"In addition to sharing knowledge, training suppliers has allowed us to better understand what these companies need to keep progressing"**

This has been the first training of this kind that we have offered to our suppliers and we are pleased to have received very positive feedback. Not only have they delved into the major environmental, social, and governance issues, but it has also been a learning tool for us. We now know much better their knowledge in these areas and can design other initiatives based on this.



In general, we believe that involvement and communication with the supply chain are essential. We are also seeing this with the approval platform, a process in which we combine email with phone calls. Suppliers value this direct contact and appreciate the effort to explain the importance —for them and for us— of these initiatives.

## Future Advances

**Beyond the aforementioned supplier approval platform, how does Aqualia plan to advance in the CS3D requirements?**

We are working on establishing a Code of Conduct for suppliers. Although we currently convey Aqualia's principles and values through our own Code of Ethics, this step will allow them to consolidate their own responsible behaviour guidelines.

In the future, we also plan to address improvement plans for issues detected from the platform's data, for example, in relation to the carbon footprint of suppliers.