

# Sustainable and Responsible Procurement Policy

Proposing body:  
Directorate for Procurement and Assets

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## SUSTAINABLE AND RESPONSIBLE PROCUREMENT POLICY

### INTRODUCTION

ILUNION's commitment to responsibility, sustainability and excellence extends to its entire value chain. For this reason, we have developed a responsible and sustainable procurement policy that helps us to generate a positive impact on all the environments in which we operate and to establish a global framework for the control of resources and the management of the risks resulting from procurement activities.

Our aim to build a better world with everyone included requires allies who help us and share our values, which is why it is essential that our suppliers accompany us on this path. At the same time, we promote the integration of ESG criteria in the companies with which we collaborate and which form part of our supply chain.

### OBJECTIVE

The objective of ILUNION's responsible and sustainable procurement policy is the definition of the group's purchasing criteria, based on principles of ethics, transparency and integrity in the relationship with suppliers, in the evaluation of supply chain risk and in the incorporation of social and environmental criteria in the management of purchases, guaranteeing in all cases a balance between technical suitability, quality and price.

The procurement policy also aims to ensure the continuous improvement of the group's purchasing process, optimising the impacts deriving from purchase decisions in the companies in which it operates, as well as contributing to adequate control and efficient use of resources. And, furthermore, to guarantee the transparency and traceability of the purchasing process through the selection of suppliers that meet criteria of objectivity, ethics, impartiality and equal opportunities.

This document also defines the standards that all ILUNION products and services suppliers must meet in order to have a contractual relationship with the company, paying special attention to respect for the principles of action established in the Code of Ethics of the ONCE Social Group (OSG hereinafter).

### SCOPE

ILUNION's procurement criteria will be applicable to all the companies that make up the Group, to all external contracting processes with suppliers, and will involve all the Group's departments and employees.

ILUNION recognises that suppliers may have their own Code of Conduct and criteria defined in their procurement policy. ILUNION supports any approach that serves to successfully achieve the required standards and reserves the right to decide whether such approaches are equivalent.

### PRINCIPLES AND VALUES

ILUNION's procurement policy is based on ILUNION's principles and values, as part of the ONCE Social Group, as set out in the OSG Code of Ethics. However, this policy is also inspired by international initiatives and standards such as the ILO Declaration on Fundamental Principles and Rights at Work, the Universal Declaration of Human Rights, the 10 principles of the United Nations Global Compact and the Ethical Trading Initiative's Code of Labour Practices (ETI Base Code), as well as the current regulations that promote social and environmental criteria in procurement.

We integrate the following into our procurement criteria:

- Green procurement: emphasis on environmental impact.
- Ethical procurement: emphasis on aspects related to the production of goods such as working conditions, prices, deadlines, etc.
- Social procurement: emphasis on the impact that the purchase may have on the social environment in areas such as local development, security, etc.
- Responsible procurement: emphasis on the attitude from which the purchase is made, involving ethical values that permeate the decision-making process in the environmental, social and economic spheres.

## ILUNION'S COMMITMENTS TO SUPPLIERS

ILUNION's commitment to responsible and sustainable management throughout its value chain is not possible without the collaboration of suppliers. To this end, it is essential to establish long-term relationships based on trust and mutual commitment in order to grow together and offer the best quality and service to our customers.

We therefore commit ourselves to:

- Select our suppliers according to objective criteria, respecting a level playing field, transparency and integrity throughout the process.
- Ensure that all suppliers are aware of and understand ILUNION's expectations and requirements for compliance with legal, ethical and sustainability criteria.
- Protect supplier confidential information.
- Support suppliers to meet ILUNION's standards of excellence.
- Pay suppliers on time and according to agreed terms, unless there are legitimate reasons for not doing so, such as breach of contract.
- Promote the awareness and knowledge of the criteria and principles that ILUNION promotes, such as diversity, inclusion and sustainability, through best-practice workshops, training sessions, meetings and encounters.
- Promote the responsible and sustainable management of suppliers throughout their value chain.

## GOVERNANCE MODEL

### Procurement procedure

Generally speaking, any procurement process consists of three distinct phases:

- Selection and approval of supplier
- Negotiation or tendering and award
- Order generation, reception, invoicing and payment to supplier

ILUNION provides users with several tools (SAP ARIBA, GoSupply, SAP and Codisys) to efficiently manage all the processes involved in the purchase of a product or service:

- SAP ARIBA: Procurement platform through which the following will be centralised:
  - all supplier registration and accreditation processes within the group.
  - all negotiation and tendering processes and
  - moreover, the platform has a Marketplace to speed up and facilitate purchases for all the companies in the group.
- GoSupply Platform: Supplier Risk Management System.
- SAP Purchasing Module (MM): ERP through which you can request a requirement, manage an order or make a payment to a supplier.
- Codisys: POS management tool for ILUNION Retail shops, for sales, stock management and purchasing.

Through internal procedures and policies ILUNION regulates the different processes that make up the global process of a purchase.

The negotiation or tendering process will in general make sure, depending on the number of existing suppliers and the nature and economic volume of the purchase, that a minimum of three valid bids is obtained for each procurement.

In this policy we will focus on the definition of supplier evaluation criteria.

### Supplier risk assessment model



ILUNION will evaluate all suppliers using the 'GoSupply' risk management tool, in accordance with the following criteria:

- General information
- Financial security
- Operational – Risk prevention and quality
- Compliance
- Sustainability (ESG)
- Cybersecurity

Within the scope of sustainability (ESG), the following factors will be taken into account:

- Environmental
  - An environmental policy
  - An environmental management system (ISO 14001 or equivalent)
  - Carbon footprint calculation
  - Carbon footprint reduction/climate change prevention measures/targets
  - Measures for responsible water management
  - Waste management
  - Circular economy
- Social
  - Human Rights Policy
  - Guarantee that the recruitment procedure is fair and provides a fair living wage for all employees
  - Diversity, equality and inclusion policies
  - Participation in social activities in support of the communities in which it operates

- 360º accessibility policy
- Good governance
  - Sustainability policy
  - An ethical code
  - A compliance system
  - Supplier evaluation systems
  - Stakeholders' relations

ILUNION will classify all its suppliers into 4 levels (critical or 360º, strategic or 180º, basic and elementary), depending on the sector or type of activity, the economic volume and relevance of the supplier and the country risk where the supplier is established or the jurisdictions in which it carries out its activities. Depending on the level assigned, the analysis of the criteria assessed will be more or less in-depth.

Once the above criteria have been assessed, a level of risk will be assigned to the supplier:

- Low
- Medium
- High

ILUNION establishes an annual follow-up for medium-risk suppliers and a six-monthly follow-up for high-risk suppliers, against third-party databases to detect sanctions, adverse media and other risk factors.

#### **Action plans for suppliers according to the identified risk:**

At ILUNION we accompany our suppliers to make them more responsible and sustainable. We give the opportunity to those suppliers that meet technical, quality and price criteria to address ESG commitments. We establish **improvement plans** for critical and strategic suppliers that are not at the appropriate sustainability levels for a long-term relationship with ILUNION.

#### **Monitoring of established objectives and indicators**

ILUNION will set annual targets to improve compliance among our suppliers, targets to identify the origin of suppliers 'Tier-n supply chains' and finally targets to improve supplier sustainability.

### Accountability of the Procurement Policy to the Steering Committee

ILUNION'S Steering Committee will be informed annually on the overall score of our most relevant and strategic suppliers according to the aforementioned criteria and the improvement plans and objectives drawn up to enable them to develop as strategic allies, thus promoting the creation of value in a sustainable manner.

### Training on the Procurement Policy for all teams and professionals

Annual training on the policy will be provided to ensure that it is known and implemented in all group companies. The training will be aimed at the CSC procurement teams and those of the different businesses that make up ILUNION and at all professionals who directly or indirectly manage the procurement of goods or services.

Not only should professionals have the necessary technical knowledge, but also the knowledge of the criteria set out in the procurement policy so that all companies are aligned with their compliance.

### Dialogue and communication

Integrating stakeholder expectations is only possible when there is a dialogue relationship and well-established channels that allow for effective, two-way communication.

ILUNION establishes the following means of communication with its suppliers:

- Go Supply platform for registration, evaluation and classification of suppliers, through which documents can be shared and action plans and improvement strategies can be evaluated.
- SAP ARIBA Supplier Entry Platform.
- SAP ARIBA platform for the management of negotiations or tenders.
- Annual supplier day and recognition day. In both days, suppliers will be given a voice and a press release and external communication will be published.

- Annual supplier survey and one-off surveys (supplier days and recognition days).
- ILUNION's website.
- Dialogue panels with (sectoral) suppliers on specific topics.
- Ethical supplier mailbox

### Awards and recognitions

ILUNION will establish annual awards for those suppliers that demonstrate extraordinary performance in relation to a series of categories (environmental, ethical and social profile, etc.) that are related to the standards and criteria required by ILUNION from its suppliers.

Acknowledgements may also have to do with the presentation and highlighting of good practices carried out by suppliers that may be of interest as examples of replicable projects for other suppliers.

## 1. PRINCIPLES OF LEGALITY, ETHICS AND INTEGRITY

ILUNION is committed to comply with the law and ethical principles in all its operations and processes and throughout its entire value chain. In order to guarantee these principles, ILUNION's supplier companies must ensure compliance with the regulations in force applicable to them at all times, avoiding any illegal practice and observing the maximum commitment to legality. Also, they must incorporate compliance management systems that minimize risk and guarantee regulatory compliance.

At ILUNION we reject corruption in all its forms and consider unacceptable any unethical behaviour or practices, including extortion, fraud or bribery.

### **Ethics and integrity**

#### Conflict of interest

Both ILUNION and its suppliers undertake to report any situation that could represent a conflict of interest and to inform ILUNION if any of their collaborators have a personal interest that could compromise the independence of the supplier's actions.

#### Gifts

ILUNION expects its suppliers not to offer free goods or services or gifts in order to influence its business activities with group companies in its favour. Suppliers shall not

promise, offer or give gifts or objects of value to persons or entities in connection with the conclusion of their contracts. Suppliers may only offer or give reasonable gifts or items that are not exaggerated in value and these must serve a legitimate business purpose.

### **Subcontracting**

To ensure compliance with ILUNION's responsible and sustainable procurement criteria, subcontracting must be communicated immediately and transparently to ILUNION prior to the provision of the service. In the case of subcontracting, suppliers must guarantee that sub-suppliers are aware of and comply with the criteria contained in the procurement policy. Suppliers must adopt the appropriate measures to monitor and, if necessary, mitigate any possible negative impact on ILUNION's reputation, with any claim and/or complaint arising from such subcontracting being the sole responsibility of the supplier.

## **2. FUNDAMENTAL HUMAN RIGHTS AND LABOUR RIGHTS**

ILUNION, in its commitment to Human Rights, is governed by due diligence, understood as a continuous management process that makes it possible to identify, prevent, mitigate and respond to the negative consequences on Human Rights directly related to operations, products or services provided by its commercial relations, directly or indirectly and throughout the value chain. For this reason, it is essential that suppliers are aligned with this commitment to the protection of Human Rights and due diligence, ensuring their protection and guaranteeing their compliance.

### **Fundamental labour rights**

ILUNION relies on the ILO Fundamental Conventions for the following principles concerning labour standards in its value chain.

#### **Freedom of association and collective bargaining**

Workers' rights to freedom of association and collective bargaining must be protected in each of the environments and countries in which ILUNION operates through its suppliers and throughout the value chain.

#### Forced labour

Promoting fair working conditions is fundamental for ILUNION. Work is a fundamental human right that must be protected and, therefore, we must prevent and adopt the necessary measures to eliminate any form of forced labour or unfair conditions throughout the value chain, while also respecting rest periods. Moreover, training and professional development opportunities should be sought for workers.

#### Child labour

ILUNION prohibits child labour, and expects its suppliers not to hire children and to respect the minimum age for employment permitted by the legislation of the country or countries in which it operates, as well as ILO conventions, and to have adequate and reliable mechanisms for verifying the age of its employees. The protection and defence of children and young people imply also the identification of opportunities and the promotion of training and development programmes, such as work placements, education or mentoring programmes, etc.

#### Health and safety

ILUNION expects its suppliers to ensure respect for and compliance with occupational health and safety standards by providing their workers with safe environments free of health risks, promoting the prevention of accidents. We consider it essential to provide workers with the necessary training and means of protection to carry out their work and be liable for any damage or harm attributable by action or omission, as a result of not having adopted the appropriate preventive measures to avoid them.

Workplaces must also provide available places for workers to eat and rest, with access to drinking water, away from danger and proportionate to the number of workers.

#### Wages

Wages are part of fair working conditions and as such ILUNION understands that suppliers forming part of the ILUNION value chain must provide their workers with a fair wage that is at least equal to the legal minimum or that established by agreement. This salary must be paid at regular intervals, in strict compliance with the legislation applicable in their territory, and directly to the workers concerned. A proper record of such payments shall be kept. No fees shall be charged to workers in connection with recruitment, employment or dismissal processes. In no case shall workers be asked to give a deposit. Wages should be equitable and avoid any discrimination on the basis of gender, origin, etc

### 3. DIVERSITY, EQUALITY AND INCLUSION

ILUNION's purpose is to promote the real inclusion of all people regardless of any type of characteristic that could lead to exclusion or discrimination. ILUNION has 42% of people with disabilities in its workforce and more and more people who are vulnerable and at risk of social exclusion. It is essential that our purpose extends to the entire value chain and, therefore, ILUNION's suppliers must reject any discriminatory employment practices and ensure equal opportunities and, as far as possible, promote diversity, equality and inclusion in their companies and in the environments in which they operate, always treating their workers fairly, with dignity and respect.

### 4. CARE AND PROTECTION OF THE ENVIRONMENT

The climate targets set by ILUNION require the collaboration of all the agents involved in the value chain. The reduction of Scope 3 emissions depends on the responsibility and reduction commitments made by suppliers. It is essential to work with suppliers who are committed to the use of renewable energies, who do not pollute, who assess their environmental impact, who manage natural resources responsibly and who are committed to circularity in waste management. ILUNION wants to promote a sum of positive impacts on its environment and along the entire value chain, not only reducing its CO2 emissions but also trying to promote projects that restore and care for biodiversity, natural environments and cities.

### 5. SUPPORT TO LOCAL COMMUNITIES

Sustainability also means supporting the local communities in which ILUNION is present. Increasing the number of local suppliers and improving dialogue and relations with them are objectives of the corporate procurement and sustainability strategy. Local purchases have a much lower environmental impact, generate employment and wealth in local environments and are often, at the same time, a boost to historical and cultural heritage.

## 6. ALLIANCES

Alliances are a fundamental part of ILUNION's strategy and for this reason opportunities to establish alliances with suppliers will be promoted. ILUNION's alliance policy defines alliances as agreements that aim to contribute to the purpose of building a better world with everyone included through projects that are promoted jointly with different entities, organisations or companies. Alliances and the projects that derive from them must meet a series of requirements established in ILUNION's alliance policy. Dialogue and relationships with suppliers give rise to opportunities for mutual collaboration and alliances that go beyond a commercial client-supplier relationship.

## 7. APPROVAL AND REVIEW OF THE POLICY

This Policy has been approved by ILUNION's Steering Committee at the proposal of the Procurement Department, which will be in charge of the necessary monitoring and reviews.

### *Date of approval*

This policy was approved by the ILUNION Steering Committee on the 17<sup>th</sup> of November 2023 and is effective from the date of its approval.

### *Outreach*

This policy will be available on ILUNION's Good Governance Portal, where the group's internal regulations can be consulted via the following link

<https://sistemasilunion.sharepoint.com/sites/BuenGobIlunion>



# ANNEX I – ILUNION Hotels

This Annex is complementary to the negotiation/ award phase mentioned in our ILUNION Responsible and Sustainable Procurement Policy, as well as to the information release phase.

At ILUNION Hotels we want to highlight the importance of defining products in a sustainable way and to establish a guide of recommendations when choosing them, giving preference to products that can demonstrate a combination of sustainable criteria aligned with our ESG strategy.

Preference will be given to products that can demonstrate an optimal combination of the following criteria (where applicable):

- a) To hold an ecolabel certification in accordance with UNE-EN ISO 14024:2018 / UNE-EN ISO 14025:2010 standards.
- b) To have a nationally recognized third-party certification of ethical/responsible sourcing.
- c) To generate less waste during use/installation (verifiable).
- d) To be more easily reusable after use in the facility.
- e) To be accepted by local recycling collection services.
- f) To be of local origin.
- g) To be from re-used (preferably) or recycled sources.
- h) Suppliers that have a third-party certified environmental management system implemented in their facilities in accordance with the UNE-EN ISO 14001:2015 standard.
- i) To use circular economy principles, e.g. servitization, supplier take-back, material passports, etc.

In the event that a choice has to be made between two or more products showing a different combination of the listed elements, preference shall be given to materials in alphabetical order, with criterion (a) having the highest weight and criterion (i) having the lowest weight.

Timber or timber products shall be of legally harvested and traded timber, with preference given to products that can robustly demonstrate one of the following:

1. FSC Certification- Forest Stewardship Council
2. PEFC Certification - Programme for the Endorsement of Forest Certification

3. SFI Certification - Sustainable Forestry Initiative
4. Another type of certification/guarantee that is nationally accepted as suitable alternative to at least one of the above.

In reference to food and beverage suppliers, preference will be given to products/services certified under sustainability criteria:

- Fair trade
- Animal welfare
- Sustainable fishing
- Sustainably Grown Products / Regenerative Agriculture Products
- Zero waste (packaging)

In relation to refurbishment, remodelling or major works, a series of criteria related to sustainability have been implemented that providers of these services will have to take into account:

- Compliance with all of the above criteria for the selection of materials and that the timber or timber products are made from legally harvested and traded timber.
- The execution of any type of work must follow the criteria of the BREEAM ES Technical Manual for non-residential buildings, which ILUNION Hotels has adopted as a standard.
- Preference will be given to those with an environmental management system certified by a third party in accordance with UNE-EN ISO 14001:2015 standard or equivalent.

At ILUNION Hotels we have established compliance targets related to the sustainable procurement policy to guide procurement activities (scorecard).

Both the Responsible and Sustainable Procurement Policy and this Annex will be communicated and circulated to all establishments for their knowledge and application.