

3.5

Sustainable supply chain

GRI: 2-6, 3-3, 204-1



MILESTONES 2023

Our Supplier ESG plan was voted the best sustainability initiative for 2023, garnering the Diamond Award from AERCE, the Spanish association of procurement professionals.

It was also certified under the ISO 20400 standard, denoting best practices in sustainable procurement.

We transformed the organisation and management of our procurement effort to align it with the decarbonisation strategy so as to create global sourcing solutions.

KEY INDICATORS

2023

2022

Total procurement spending (€ million)	1,423	1,173
Suppliers in the company's supply chain (no.)	3,394	3,288
Spending on local suppliers (%)	36.2 %	34.7 %



For further information, refer to Appendix 2.5 Suppliers



3.5.1

Procurement approach and positive supplier relations

Our approach to procurement is designed to strengthen relations between suppliers and our businesses. It includes automated processes to ensure traceability and transparency, helps to control risks and fosters free competition.

Our mixed approach standardises and coordinates both centralised and business-level purchasing¹, streamlines processes and maximises efficiency through planning and early supplier involvement in new projects.

Excellence in procurement management



We are certified under UNE 15896 Value added purchasing management, and the ISO 9001, 14001, 50001, EFQM and ISO 45001 standards.

In 2023, we were awarded ISO 20400 certification, which recognises our commitment to ensuring a responsible and sustainable supply chain.

In 2023, we aligned our approach to our Positive Motion strategy, thereby creating Global Sourcing Solutions based on three key lines of action:

- Being a liquid organisation, so we can mobilise resources for collaboration on new projects and obtain the right skills to make the energy transition.
- Readyng the supply chain for adaptation to the growth and expansion of new businesses.
- Strengthening our commitment to ensuring a responsible and sustainable value chain.

A key commitment of our [Sustainable Procurement Policy](#) is to promote best practices through responsible and sustainable management. Our Supplier [Code of Ethics and Conduct](#) furthers our commitment to ethics and transmitting values to our suppliers. Our specific sustainability requirements are standardised in the [General Contracting Terms](#) and our contractual models and must be accepted by any third party that does business with Cepsa.

Therefore, all contracts include clauses on sustainability matters. In 2023, we reviewed and reinforced the sustainability requirements, as well as the specific health and safety requirements.

Lastly, we have a Supplier ESG Plan to encourage alignment by our suppliers, including Tier 2 suppliers, with our sustainability commitments and requirements and to help them on this front.

We follow a four-step supplier relationship management process:



¹ The procurement teams in the Chemicals and Exploration & Production businesses are decentralised, although the approach to procurement management and processes is the same.

Registration and approval

We ensure that suppliers commit to our requirements and that the level of related risk is acceptable. We only award contracts to approved suppliers; in other words 100% of our suppliers are systematically rated.

We have an ESG rating system based on a detailed questionnaire, which is available on the procurement platform. The scores are automatically transferred to the award sheets. Nearly 75% of our critical suppliers had a score in 2023, so we are closing in on our target of having 100% of those suppliers with a sustainability rating by 2025. During the year, we extended the supplier rating system to critical Tier 2 suppliers, who were also added to the assessment plan.

We prioritise awarding contracts to higher-rated suppliers and disclose their score to them, as well as their position relative to other sector peers through the MyAchilles platform. Lower-rated suppliers are invited to ESG development meetings to pinpoint opportunities for improvement, for which pertinent recommendations are given. We provide technical support and monitor implementation.

We also calculate added value by embedding sustainability into decision-making (Total Value of Ownership), promoting sustainable procurement.

Risk segmentation and control

We segment by risk level and type to identify critical suppliers. These comprise suppliers in segments I, II and III, and certain high-risk segment IV suppliers and contingency or conditional suppliers, for which there are no alternative suppliers. The main contractors accessing our facilities (Tier 2 suppliers) are also considered critical suppliers.

We assess suppliers on an ongoing basis for operational, economic, ESG, human rights, health and safety, country, information security and counterparty (Know Your Counterparty or KYC) risks. We also assess them for risks related to our business, including those associated with services and products.

We performed 3,031 risk assessments on active suppliers in 2023. Additional compliance analysis was conducted on a further 373 suppliers, cross-checking against international lists in accordance with the KYC procedure. We also have a real-time risk-monitoring tool and alert system (RiskMethods), which considers sustainability and human rights issues and is integrated into the procurement area's platform. We did not uncover any supplier with high or very high risk.



Performance evaluation

We have an evaluation plan for active suppliers that factors in quality, execution and sustainability issues. We have also begun to assess Tier 2 supplier with access to our facilities. These evaluations are carried out through a variety of questionnaires filled out by end users of the good or service supplied.

Over the course of 2023, we conducted 2,244 evaluations of 807 suppliers, of which 771 were due to their criticality. Accordingly, 99% our critical suppliers have undergone at least one performance evaluation, which is in line with our target of screening at least 98% these suppliers, including an assessment of ESG issues.

ESG audits and performance enhancement

Lastly, we ensure that suppliers meet our requirements through on-site audits performed by Achilles, an independent firm. We follow a procedure for verifying compliance with international accepted sustainability standards that is standard in the sector. In addition, internal staff of Cepsa carry out on-site audits.

We carried out 97 on-site audits in 2023. We have audited a total of 216 active suppliers. Audit findings are valid for 24 months, during which we help them address any non-conformities. Action plans are drawn up and must be implemented, and evidence must be provided for 100% of audited suppliers. We proactively encourage, also with Achilles, resolution of non-conformities. The target is to close 85% of non-conformities arising during the previous two years. We closed 89% of non-conformities in 2023.

We round off this process with development meetings, following a specific procedure for the sustainability questionnaire. Each supplier was given a detailed report outlining pertinent recommendations and a related action plan. We held 26 development meetings with suppliers in 2023.

Continuous training of suppliers and procurement staff

We have a Supplier Campus, where we provide suppliers specific training on the priorities for more responsible and sustainable procurement of goods and services. In 2023, we added new topics to the training syllabus, such as water management, cybersecurity and health & safety. The number of supplier in skill-building programmes is 547. 35% of our critical suppliers participated in these programmes.

Procurement staff receive ongoing sustainability training via the Cepsa Campus. In parallel, buyers receive specific training at the Supplier Campus to ensure alignment in procurement management and to share best practices

We listen to our stakeholders and share best practices

At different procurement forums, we explain the company's strategy, our commitments and the roadmap for delivering our sustainability targets.

We included suppliers in our annual stakeholder listening sessions, to learn about their expectations and rank the topics that interest them most.

wePioneer programme



We held our fifth wePioneer supplier recognition programme in 2023. This initiative recognises our suppliers for their sustainability performance. The topic this time was carbon footprints.



3.5.2

Our supply chain

Our supply chain² comprises 3,394 suppliers, of which 1,790 are covered by our management model. The rest, which account for less than 1% of procurement spending, are included in tail spend.

Of the procurement volume (excluding raw materials purchases), 83% goes to services. The rest goes to a range of goods; e.g. materials, spare parts or equipment.

We segment our supply chain by criticality based on the findings of comprehensive and continuous analysis of total expenditure, geographic breakdown and core business as follows:

- Segments I, II and III: these make up roughly 15% of our suppliers and over 89% of our annual spend. We gear all our initiatives towards these segments and tailor relationship models to the extent possible.
- Segments IV and V³: these are non-strategic suppliers, but we monitor them for all operational and sustainability risks through risk cards. Some high-risk segment IV suppliers are considered critical and managed separately.

Local procurement

We encourage sourcing from local suppliers because of its positive impact on the surrounding business landscape, not to mention the advantages this affords, e.g., facilitating supply, increasing flexibility and guaranteeing response times, in addition to making it easier to control country risk.

To that end, we identify and evaluate procurement contracts that can be managed locally and decide on specific initiatives with local suppliers.

In 2023, for locations around the world where we have significant operations⁴, we sourced approximately 90.5% from domestic suppliers. Specifically, 36.2% of the total spend was purchased from suppliers based locally.

46.9% of the company's suppliers are Spanish and they account for 80% of total expenditure. Nearly 39.8% of contracts were arranged with suppliers near a Cepsa operation.

We only enter into contracts with non-domestic suppliers for goods, equipment or services that are highly specialised or rely on multinational technology.



² Procurement figures exclude purchases of crude oil, raw materials and energy products and the related maritime shipping costs. Also excluded were expenses for primary logistics (CLH), financial products and services, Cepsa's internal operations, donations and payments of taxes and duties. The amounts shown are the amounts arranged in the procurement contracts, not the amounts invoiced.

³ We manage segment V suppliers, included in tail spend (purchases under €25,000), efficiently through automation and digitalisation.

⁴ Locations with significant operations are the main sites where we have our industrial plants and Exploration & Production assets. For the purposes of this report, those locations are Spain, Portugal, Colombia, Peru, Brazil, China and Canada.

2.5

Suppliers

2.5.1

Supplier assessment

[GRI 414-1] New suppliers that were screened using sustainability criteria

New suppliers that were screened using sustainability criteria (%)¹

	2023	2022
	58 %	62 %

1. Includes segment V which, given its low amount, is not covered by procurement procedures. Of the total 377 suppliers, 152 are covered by the procurement area. Those that are not are not required to undergo the complete process.

[GRI 414-2] Negative impacts in the supply chain and actions taken

Detection of negative impacts in the supply chain and corrective measures taken¹

	2023	2022
Suppliers that were screened using sustainability criteria (no.)	1,482	1,211
Suppliers identified as having significant (actual and potential) negative impacts (no.)	—	—
Suppliers identified as having significant (actual and potential) negative impacts with which improvements were agreed upon as a result of assessment (%)	— %	— %
Suppliers identified as having significant (actual and potential) impacts with which relationships were terminated as a result of assessment, and why (%)	— %	— %

1. The number provided is the number of active suppliers with ESG scores. The 2022 figure has been updated to align it with the established criterion. The percentage of active suppliers within the scope (>€25,000) with scores is 74%.

We consider the following to be significant negative impacts:

- Environmental: suppliers with high environmental risk due to their activity that receive a negative performance assessment based on environmental KPIs.
- Compliance and good governance: suppliers that after an assessment of the counterparty pose higher-than-average risk and those for which breaches have been detected.
- Social: suppliers with a specific high risk (country, ESG or human rights), with an unfavourable performance assessment along ethics and compliance KPIs and those with high HSE risk due to their activity or negative assessments in health and safety KPIs.

We did not identify any supplier with a significant negative impact in 2023.

Screening and audits

Supply chain assessments and audits

	2023	2022
Assessments carried out (no.)	2,244	1,473
Suppliers assessed due to criticality (no.)	771	560
Critical suppliers that have been assessed (%)	99 %	99 %
Suppliers with risk cards (no.)	3,031	2,830
Suppliers that underwent additional compliance analysis (no.)	373	278
In situ audits (no.)	97	160
Active suppliers with current audit (no.)	216	215
Suppliers that have implemented a non-conformity plan (no.)	114	156

Critical suppliers

Total critical suppliers and assessment levels^{1,2}

	2023	2022
Total Tier 1 suppliers	3,394	3,288
Significant Tier 1 suppliers	811	820
Spending on significant Tier 1 suppliers (%)	91 %	91 %
Significant non-Tier 1 suppliers	261	769
Significant suppliers assessed through written or on-site assessments (no.)	1,072	1,589
Significant suppliers assessed (%)	100 %	100 %

1. Critical suppliers are defined as segment I, II and III suppliers and certain segment IV suppliers that are high-risk or contingency or conditional suppliers (i.e., for which there are no alternative suppliers).

2. Critical Tier 2 suppliers are subcontractors that perform services within our facilities. Since they are subcontracted, they are not included in the procurement spent.

2.5.2

Description of the supply chain

[GRI 2-6] Activities, value chain and other business relationships

Suppliers by segment (%)¹

	2023	2022
Segment I	2.2 %	2.3 %
Segment II	5.5 %	4.3 %
Segment III	6.9 %	9.0 %
Segment IV	38.2 %	36.9 %
Segment V	47.3 %	47.4 %

1. Segment I: Cepsa's main suppliers considered very high impact (strategic), representing more than 50% of annual procurement spend. Segment II: Cepsa's main suppliers considered high impact, representing 20-25% of annual procurement spend. Segment III: Cepsa's main suppliers that, together with those in the previous segments, are considered critical; i.e., those that risk control management focuses on. Segment IV: Suppliers of goods and services with low impact that undergo operational, environmental, health and safety, compliance and cybersecurity risk assessments to identify those with a level of ESG risk that requires assessment and actions. Segment V: The so-called tail spend.

Suppliers by region (%)

	2023	2022
Spain	46.9 %	46.1 %
Africa ¹	0.1 %	— %
Americas ²	34.3 %	34.6 %
Asia and Oceania ³	8.3 %	8.3 %
Europe ⁴	10.4 %	11.0 %

1. Africa: South Africa.

2. Americas: Brazil, Canada, Chile, Colombia, the United States, Mexico, Peru, Puerto Rico and Uruguay.

3. Asia and Oceania: China, India, Malaysia, New Zealand, Singapore and UAE.

4. Europe: EU countries and Turkey.

[GRI 204-1] Proportion of spending on local supplier

Spending on local suppliers (%)¹

	2023	2022
Spain	39.8 %	37.9 %
Colombia	46.7 %	45.4 %
Brazil	59.4 %	67.6 %
Rest of Europe	— %	— %
China	47 %	56 %
Portugal	13.6 %	17.7 %
Peru	9 %	14.4 %
Canada	86 %	90.7 %
Other	— %	11 %
Total	36.2 %	34.7 %

1. Supplier based in the same geographic market as the facilities or plant of the contracting Cepsa company.