

Colonial **ESG policy for supplier selection criteria**  
2018



## ESG CRITERIA POLICY FOR SUPPLIER SELECTION

2018

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### Basic principles

The responsibility of Grupo Colonial is not only limited to their in-house team, therefore they seek to ensure that suppliers share their values and apply them to each activity associated with Colonial.

Investment, business, surveyor **Suppliers**, contractors, and companies are classified into two categories depending on the type of purchased assets and services they offer:

- Facilities management suppliers.
- Refurbishment and renovation works contractors.

#### By appointing the most qualified suppliers

Grupo Colonial can optimize costs and minimize risks and impacts associated with the supply chain.

For this reason, they are subject to qualification processes and ongoing assessments that include periodic reviews and internal audits.

The non-conformities observed are analysed and managed ensuring that the necessary action plans are undertaken and offering guidance for continuous improvement in the management of the suppliers processes.

### OBJECTIVES

The objective for Grupo Colonial is to maximize the positive impact across the entire value chain and with stakeholders.

Grupo Colonial has defined the social and environmental criteria for the supplier selection process, as set out in this policy, while also staying in line with the actions set out in the Sustainability Master Plan 2018-2020 in order to ensure an appropriate management of ESG issues across their value chain.

### Strategic lines of action

The Group promotes and stimulates partnership with those suppliers who employ efficient standards from an environmental, social and management point of view.

#### “E” ECO-EFFICIENT MANAGEMENT

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Assessment criteria for supplier selection from an environmental perspective:

- **Environment:** A policy and/or environmental management system (ISO or EMAS) has been implemented and initiatives to raise awareness of responsible use of natural resources are supported.
- **Climate change:** They limit their impact on climate change, setting objectives to reduce Greenhouse Gas emissions and provide their information to calculate Grupo Colonial Carbon Footprint (Scope 3). They participate in positive impact initiatives to balance their carbon footprint.
- **Energy:** They have a green power supply and offer technical solutions that allow energy consumption savings.
- **Water:** They offer technical solutions to enable water-savings, as well as a water reuse action plan.
- **Biodiversity:** They align with Grupo Colonial strategies regarding Biodiversity Policy (to give priority to native and low water demand plants, xeriscaping and mulching practices, Sustainable Drainage Systems (SUDS) and create habitats for biodiversity (nest or butterfly boxes). They use organic, non-toxic and eco-friendly gardening products.
- **Materials:** They use materials that comply with type III label. EPD (Environmental Product Declaration) or LCA (Life Cycle Assessment). They use FSC certified wood with Chain of Custody certification, PEFC and of legal provenance. They use 100% recyclable materials made-up of high post-consumer recycled content.

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- **Pollution and waste:** They use low-VOC (Volatile Organic Compounds) materials. They use eco-friendly cleaning products that are not harmful to the environment. They implement a waste management system that focuses on reducing packaging and the volume of waste and incorporate a sustainable waste management system to ensure maximum use of waste.
- **Responsible acquisition and supply:** They acquire local products and materials that are manufactured within an 800 kilometre radius and they use eco-efficient vehicles for distribution.

### “S” PEOPLE DEVELOPMENT

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Assessment criteria for the selection of suppliers from a social perspective:

- **Work:** They respect the rights of workers, complying with ILO Declaration and they respect freedom of workers' association and collective bargaining rights, allowing all workers the right to be represented by independent trade unions.
- **Health and Safety:** They perform an occupational risk assessment and implement management plans and/or measures to monitor safety performance.
- **Diversity and work-life balance:** They eliminate all forms of discrimination against access to employment and occupation, they hire SEC (Special Employment Centres) which are intended to hire disabled workers. They implement work-life balance policies and/or practices that promote work-life balance for employees.
- **Human rights and Community:** They effectively eliminate child labour and implement Human Rights Policies to identify vulnerable groups.

### “G” CORPORATE GOVERNANCE

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Assessment criteria for supplier selection from a governance perspective:

- **Ethics and compliance:** They make a statement that incorporates ethical principles such as those set in the United Nations Global Compact and implement a code of conduct, policies, and guidelines on bribery and corruption. They adhere to the Code of Ethics of Grupo Colonial, or they develop their own, if applicable, and they are certified in standards that ensure the ethical behaviour of the supplier and their employees, while also informing on breaches of environmental legislation. They have fully implemented a prevention model in the legal entity.
- **Responsibility and quality:** They comply with statutory obligations and they provide the updated documents required. They are ISO 9001 certified and they provide information in order to analyse their performance. They conduct satisfaction surveys, suggestions and complaints.
- **Risk management:** They assess their risks and implement a management and control system providing information for Colonial to draft a supply chain risk map.
- **Sustainable value creation:** They manage their financial, social and environmental aspects.
- **Transparency & Philanthropy:** They guarantee financial solvency and implement philanthropy policies that specify the purpose and scope of contributions (donations, sponsorships, patronage...), or are paid in time (volunteering) and in kind.
- **Social responsibility:** They are certified in CSR and publish the CSR report of the last financial year. They participate in developing initiatives included in Grupo Colonial CSR policy.



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