

Sustainable purchases, one more step towards caring for the environment

Alberto Andérez | Head of Procurement at Aqualia

The Procurement department plays a key role when it comes to ESG concerns by focusing on the efficiency of purchasing management, thus promoting a circular and local economy, with a lower risk to nature, and building stronger relationships of respect and trust between employees and suppliers. We spoke to Alberto Andérez, Head of Procurement at Aqualia, about all of this.

Purchasing managers have always had a role directly related to the profitability of the company, due to the importance of efficient management in the purchase of goods and services. It is clear that, in the new regulatory context, the department is acquiring a more strategic projection, for example, in the governance of scarce resources, one of the aspects highlighted in the World Economic Forum's *Global Risks report*, as well as taking centre stage as one of the areas of reference in the new non-financial reporting directive. To find out more about the current situation of the department, we spoke to Alberto Andérez, Aqualia's Head of Procurement.

Strategic Plan

Aqualia's ethical values

Aqualia's Strategic Sustainability Plan 2021-2023 envisaged transferring ethical values and compliance to the supply chain, as well as involving suppliers in the positive impact that the company wants to have on society. What has the integration of this aspect into the company's strategic priorities meant in 2023? Furthermore, how has this translated into building stronger and more ethical relationships with Aqualia's key suppliers?

Being aligned with suppliers on ethical values generates an environment of integrity, transparency and mutual trust that not only favours professional relationships and the achievement of each party's particular objectives, but also creates a mutually beneficial environment, and allows us to contribute to achieving the objectives and commitments of our company and society as a whole.

Having suppliers embrace our values is essential. They acquire the contractual commitment to accept and comply with our Code of Ethics, anti-corruption policy and environmental liability, as well as to share this commitment with their employees, subcontractors and, in general, any third party with whom they have any kind of legal relationship, within the framework that links them to us as suppliers of goods or service providers.

The integration of these aspects into the company's strategic priorities has led to the extension of the scope of the supplier official approval system and the establishment of milestones to be achieved over the coming years, which will help us to achieve our objectives in this area. In short, we have come a long way, but we are still working on this path. An example of this will be the *ad hoc* training that is planned to start in 2024.

Moreover, and with regard to the official approval of our suppliers, they are contractually committed to environmental responsibility. However, in the next platform, suppliers will also be assessed on ESG.

We have reached a key juncture, with the transposition of the requirements of the European Environmental Due Diligence and Human Rights Directive. What is Aqualia's approach? What steps are now being taken and how do you plan to make progress along this path?

This Directive gives those of us who manage supplies a bigger role in achieving sustainable development in countries (SDGs) amid the current context. In other words, it is a fantastic tool that companies can use to spot and eradicate elements of the production process that damage the environment or breach human rights.

Fortunately, we were already well on our way to being able to adopt these new requirements in due course, as many of them are concerns that we have held for a long time now. Similarly, to make further progress along these lines, we have decided to use a new official approval platform for suppliers, which will allow us to gain a better understanding of our suppliers when it comes to their ESG performance.

We feel that we are aligned with the European Directive, and our approval platform uses it as a roadmap for preventing and mitigating potential adverse effects, or nullifying or minimising their impact. It also means setting up and running a complaints procedure while ensuring its effectiveness. Aqualia also endeavours to communicate effectively to raise awareness of due diligence processes both within the company and among its subsidiaries, paying close attention to everything related to the value chain and the commercial relationships in place.



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In line with the supplier approval protocol, to what extent has the company integrated the objective of having ESG-certified suppliers? And second, how has Procurement embraced the concept of “sustainable purchasing”?

For us, ESG criteria are not a trend, but a tide change; a new way of seeing and doing things, always looking to protect the environment, ensure social well-being and uphold ethics and transparency across all our actions and policies. In fact, this is nothing new to us. We would even say that we were born sustainable. We have always been concerned about these issues. For all of us

at the Procurement function, it is plain to see that suppliers have a very important role to play in achieving these objectives. They can help us reduce the consumption of natural resources, avoid wasting raw materials, reduce the waste generated, and so on. We care about the working conditions of their employees and promote local employment (98 % of our suppliers are local in the countries where we are present). It is also essential to promote transparency in all our dealings.

For all these reasons, for us accrediting the ESG performance of our suppliers is essential, going beyond compliance with the future European Directive on Environmental Due Diligence and Human Rights.

Procurement's involvement also happens to be key as a driver of corporate responsibility. We are aware that our purchasing decisions not only affect the organisation itself, but also the economy, the environment and society. We always strive to minimize the impact of these activities, while seeking to promote the circular and local economy, pose the lowest risk to nature, and build interpersonal relationships based on respect and trust, both with our colleagues and suppliers.

Supplier approval

Building an environment of mutual trust

More precisely, one of the territories in which supplier approval has been implemented is Colombia. How has this integration been felt within the company? What positive effects has it had on the supplier ecosystem there?

Supplier approval is very important in mitigating the risks associated with our relationships with suppliers (legal, health and safety, operational, financial, etc.). In Colombia, this system is helping us a great deal in picking the most suitable suppliers. The involvement of both our department and of Compliance in the country has helped to ensure that the projects are developing naturally. And, while we do consider the specific circumstances and needs of each place and we are flexible, we must adapt and make our work in Colombia synergistic with the quality standards we insist on at Aqualia.

“On ESG-related issues, we regularly disseminate information to educate our suppliers about the importance of sustainability”.

In recent years, significant efforts have been made to cut costs, especially in terms of consumption (energy, materials and water purchases). Seeing as though these actions have led to improvements in the cost-to-income ratios in spite of the rising prices, from a Group-wide perspective, how much scope for action do the logistics centres have in optimising the company's purchasing management?

Progress has undoubtedly been made in creating logistics centres able to unlock benefits when it comes to purchasing capacity and in having warehouses provided by the suppliers. The centres work hard not only to unify the approach for running the services in terms of quality of materials, but also to unlock synergies and promote a standard approach, to work in a uniform and perfectly organised way.

This is consistent with the recommendations of sustainable procurement and is meant as a corporate objective, as a system conducive to internal procurement, in the sense of transfers of materials. It also happens to minimise the workload of the services when placing orders, optimise and control fixed assets, improve purchase prices and speed up connectivity with suppliers and transactions. Specifically, progress was made in setting up two new logistics centres in 2023. This, together with the development of the management tool for these centres, will ultimately improve the management process in 2024.

Good practices

A brighter future

Looking at the business more broadly and with a medium- to long-term perspective, how do you see the future for the Procurement area? What other challenges are on the horizon? Are there any concrete initiatives or plans to share good practices in sustainability along the supply chain, or across regions and countries?

Aside from the new supplier approval platform, which will allow us to do better job in selecting and developing our suppliers —especially in ESG-related matters—, we regularly disseminate information to our suppliers on sustainability for training purposes, while also publishing our Sustainability Report. In addition to this, we will soon be providing them with online training in sustainability to raise their awareness even more.

Broadly speaking, I would say that our main challenge is to provide the company with the goods and services needed to run the business, in each and every one of the places where we operate. Moreover, we must do so in a stable and sustainable manner, while minimising our exposure to any type of risk and procuring the best possible prices, as we act with transparency, ethics and honesty. As we are talking about sustainability, and to be a bit more specific, our main challenges in this regard are to ensure the proper approval of suppliers across all countries in which we operate and to successfully transition to an environmentally friendly vehicle fleet. This illustrates our clear commitment to supporting decarbonisation and the fight against climate change. In this sense, the digitalisation of processes will also help to mitigate the negative impact on the environment.

98.4 %

of suppliers are local

More than 16,600

suppliers across the 18 countries
where Aqualia operates

97.4 %

of the suppliers approved in
2023 were local

€523.9 M*

in payments to suppliers

* This figure does not include
FCC Group suppliers.