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# TELE2 SUSTAINABLE PROCUREMENT GUIDELINES



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Version Table

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## Introduction

This document shows how Tele2's sustainable procurement framework together with additional processes and policies integrates the sustainability principles throughout our work of vendor selection, supplier relationship management, sustainability performance monitoring and supplier capacity building.

## Supplier Governance

Tele2's supplier base is divided in top (or significant suppliers) - and approved suppliers. Top suppliers, also called significant suppliers, exists out of the three (3) supplier categories below and accounts for around 250 suppliers representing more than 65% of our yearly spend. The primary focus of the procurement departments is on the top suppliers (or significant suppliers);

- Strategic vendors
- Critical vendors
- Key vendors

The division of the suppliers is based on criteria such as business criticality, time to be replaced, complexity of the services or the products, supplier market and business risk to name of few.

The approved suppliers account for the rest of the spend and represent around 3000 suppliers.

## Sustainability Supplier Program

The sustainability supplier program is designed to integrate environmental, social, and governance (ESG) principles into Tele2's sustainable procurement processes. It ensures that our suppliers not only meet Tele2's high standards in sustainability and ethical conduct but also improve their sustainability performance.

## Tele2 Business Partner Code of Conduct

The foundation of ensuring that our suppliers operate in a sustainable way and deliver sustainable products and/or services, is the Tele2 Business Partner Code of Conduct (BP CoC).

All suppliers that in any way are handled by the procurement department will have to sign our BP CoC. In case procurement is not involved, a minimum yearly spend of 1 MSEK is set as a limit before the supplier is asked to sign our BP CoC. An escalation process is available in case the supplier refuses to sign.

## Supplier Capacity Building

Training on our BP CoC is initiated for Tele2's significant suppliers, also referred to internally as top suppliers (Strategic, Critical & Key), representing more than 65% of our yearly spend, is a key element in Tele2's sustainability supplier program as our BP CoC is a key pillar in setting Tele2's sustainability requirements.

<https://www.tele2.com/sustainability/sustainability-governance/business-partner-code-of-conduct/>

Together, the Business Partner Code of Conduct, the Purchasing policy and the Sustainable procurement framework set the processes for how Tele2 work with sustainability with potential and existing suppliers. These documents should complement each other.

## Sustainable Procurement Framework

The sustainable procurement framework outlines the way of working to integrate environmental, social, and governance (ESG) principles into Tele2's procurement department processes and Tele2's sustainability supplier program.

Area	Approach
<p><b><u>Strategic sourcing</u></b> Sustainability requirements in vendor selection</p>	<p>All bidding suppliers need to either supply their EcoVadis score or reply to our Supplier Sustainability Assessment (SSA). The EcoVadis or SSA-score stands for the S (Sustainability) in our TPOCS evaluation framework, a minimum of 10 percent weighting is assigned to sustainability. If a supplier with a score lower than 45 is to be chosen, approval is needed from Head of Sustainability and Head of Procurement. When a supplier is awarded a contract, the supplier must commit to getting an EcoVadis score within six months of signing the agreement if not available yet.</p>
<p><b><u>Supplier Relationship Management (SRM)</u></b> Integrates sustainability performance into SRM processes.</p>	<p>All strategic and critical suppliers are requested to register an EcoVadis score. This score will be part of the contract management one pager (SRM template). If this score is below 45, the supplier is requested to submit an action plan to improve the scoring according to the escalation process below. There is (currently) no requirement for key or approved suppliers to get an EcoVadis score. Supplier events that may have a negative impact on the supplier EcoVadis score will be assessed by the contract manager and decided upon follow-up activities in the Progress Review Meetings.</p>
<p><b><u>Sustainability performance monitoring</u></b> Ensuring sustainability requirements compliance over time.</p>	<p>Each quarter a report of our total EcoVadis profile will be generated. This will contain; 1) an overview of the score (average, distribution) 2) changes since last report as well as explanations for these changes 3) how many suppliers that are on the platform, what spend that comprises and what percentage this is of the total spend</p>
<p><b><u>Annual reviews &amp; audits</u></b> Supplier risk management process ensures risk control of suppliers.</p>	<p>Each year a risk assessment of the total supplier stock will be performed, the following criteria will be considered for selection:</p> <ul style="list-style-type: none"> <li>• suppliers on the EcoVadis platform with a low score</li> <li>• suppliers from the defined high sustainability risk categories</li> <li>• suppliers with strong exposure to countries with high sustainability risk</li> <li>• suppliers with the highest spend (supplying high-value products &amp; services identified by spend analysis)</li> </ul> <p>Based on these 4 segments, suppliers will be selected for follow up actions. Such actions can be desktop analyses, on site supplier audits or other follow up activities.</p>
<p><b><u>Supplier on site audit</u></b> Ensuring Business Partner Code of Conduct compliance over time.</p>	<p>Supplier audits, sustainability on site risk assessments, will be arranged by the sustainability department with support from procurement and the respective stakeholder representing the business. Primarily focus of those audits are the suppliers' compliance with the Tele2 Business Partner Code of Conduct, where we will zoom in on various sustainability topics and on our requirements imposed on their supply chain.</p> <p>The audit will be concluded with an audit report that will be presented to all involved parties internally and on the supplier side. In case corrective action plans have been agreed upon, these will be jointly followed up by sustainability and the procurement team.</p>

## Strategic Sourcing Escalation process

The escalation process for the sustainable procurement framework should be followed in the following situations:

- In the strategic sourcing process, if a potential supplier with EcoVadis or SSA-score lower than 45 is considered to be selected,
- If a supplier refuses to provide an EcoVadis or SSA-score during a tender,
- If a supplier is awarded a contract but does not comply with getting an EcoVadis score.

Throughout the escalation process, Head of Procurement and Head of Sustainability should always be informed and consulted.

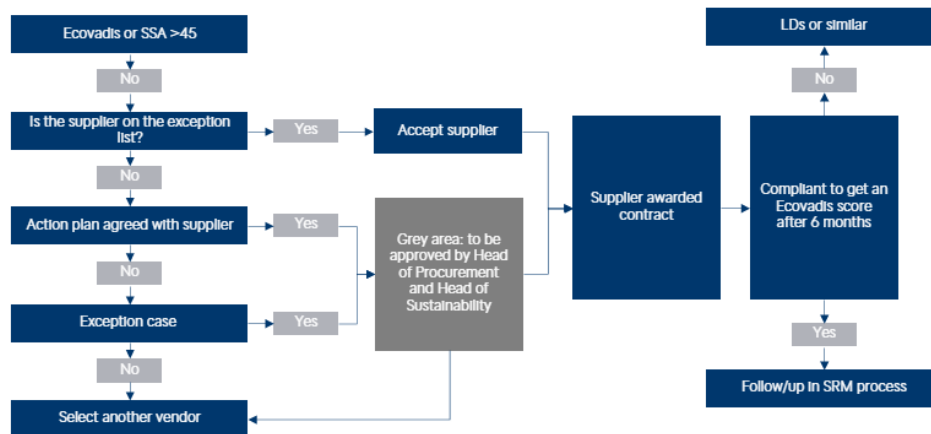


Figure 1 – Overview of the Escalation Process

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The escalation steps referred to above are further described in chronological order in the table below.

Step	Description	Roles and Responsibilities
1	<b>Approved exceptions</b> The following business partners are exempt from following the Sustainable Procurement Framework: <ul style="list-style-type: none"> <li>• Governmental parties, public authorities and public institutions</li> <li>• Business relations related to site lease, interconnect and roaming</li> </ul> Parties on the exception list are considered low risk.	Sourcing - /Supplier Relationship - /Contract Manager to assess if supplier is relevant for exception list.  Head of Procurement to be informed.
2	<b>Exception case</b> If supplier is not an exception and we cannot align with the supplier on a relevant corrective action plan, the supplier must be approved as an exception case.	Exception case to be approved by Head of Procurement and Head of Sustainability.
3	<b>Action plan agreed with supplier</b> A corrective action plan should be presented by the supplier on how to reach a score above 45.	Plan to be approved by Head of Procurement and Head of Sustainability.  Plan to be followed up by Sourcing - / Supplier relationship - /Contract manager in the supplier relationship management process.
4	<b>EcoVadis compliancy</b> If supplier does not get an EcoVadis score within 6 months from signing the agreement consequences such as Liquidated Damages (LD) or similar penalties will be concided.	Compliancy to be followed up by Sourcing - / Supplier relationship - /Contract manager  Head of Procurement to be informed and consulted.

## Supplier Relationship Management Escalation process

The Escalation process for the Sustainable Procurement Framework should be followed in the following situations:

- In the supplier relationship management process, if an existing strategic or critical supplier scores below 45 in EcoVadis.

Step	Description	Roles and Responsibilities
1	<b>Action plan agreed with supplier</b> A corrective action plan should be presented by the supplier on how to reach a score above 45.	Head of Procurement and Head of Sustainability to be informed and consulted.  Plan to be followed up by Sourcing - / Supplier relationship - /Contract manager in the supplier relationship management process.
2	<b>Reasonable commercial pressure</b> If Tele2 and supplier cannot align on a relevant corrective action plan, Tele2 should put reasonable commercial pressure on the supplier.	Head of Procurement and Head of Sustainability to be informed and consulted.